



Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 520

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ABOUT THIS REPORT

REPORTING PERIOD

This report covers the period from 1 January 2020 to 31 December 2020, with some information and figures tracing back to earlier years beyond the stated reporting period.

PUBLICATION CYCLE

This report is an annual report.

ORGANIZATIONAL SCOPE

For information regarding the reporting scope, please refer to the organizational structure chart of Xiabuxiabu Catering Management (China) Holdings Co., Ltd..

COMPILATION GUIDELINES

This report has been prepared with reference to the *Environmental, Social and Governance Reporting Guide* (the “ESG Guide”) issued by the Hong Kong Stock Exchange, as well as the *GRI Sustainability Reporting Standards* issued by the Global Sustainability Standards Board (GSSB).

ESG REPORTING PRINCIPLES

Materiality: In compliance with the materiality principle of the Stock Exchange, this report makes disclosure on the ESG-related issues considered by the Board and the ESG Working Group, stakeholder communication, identification process of materiality issues and the matrix of materiality issues, details of which are set out in the respective section below.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained in the annotations of the report.

Balance: This report shall provide an unbiased picture of the Group’s performance during the reporting period and shall avoid selections, omissions or presentation formats that may inappropriately influence the readers’ decisions or judgment.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent.

DATA SOURCE

All the data in this report are derived from the official documents and statistical reports of Xiabuxiabu Catering Management (China) Holdings Co., Ltd..

REFERENCE

In order to facilitate the presentation and reading, the words “Xiabuxiabu”, “the Company” or “we” in this report refer to “Xiabuxiabu Catering Management (China) Holdings Co., Ltd.”. Unless otherwise specified, the currency unit “Yuan” used in the report refers to “RMB”.

ACCESS TO THE REPORT

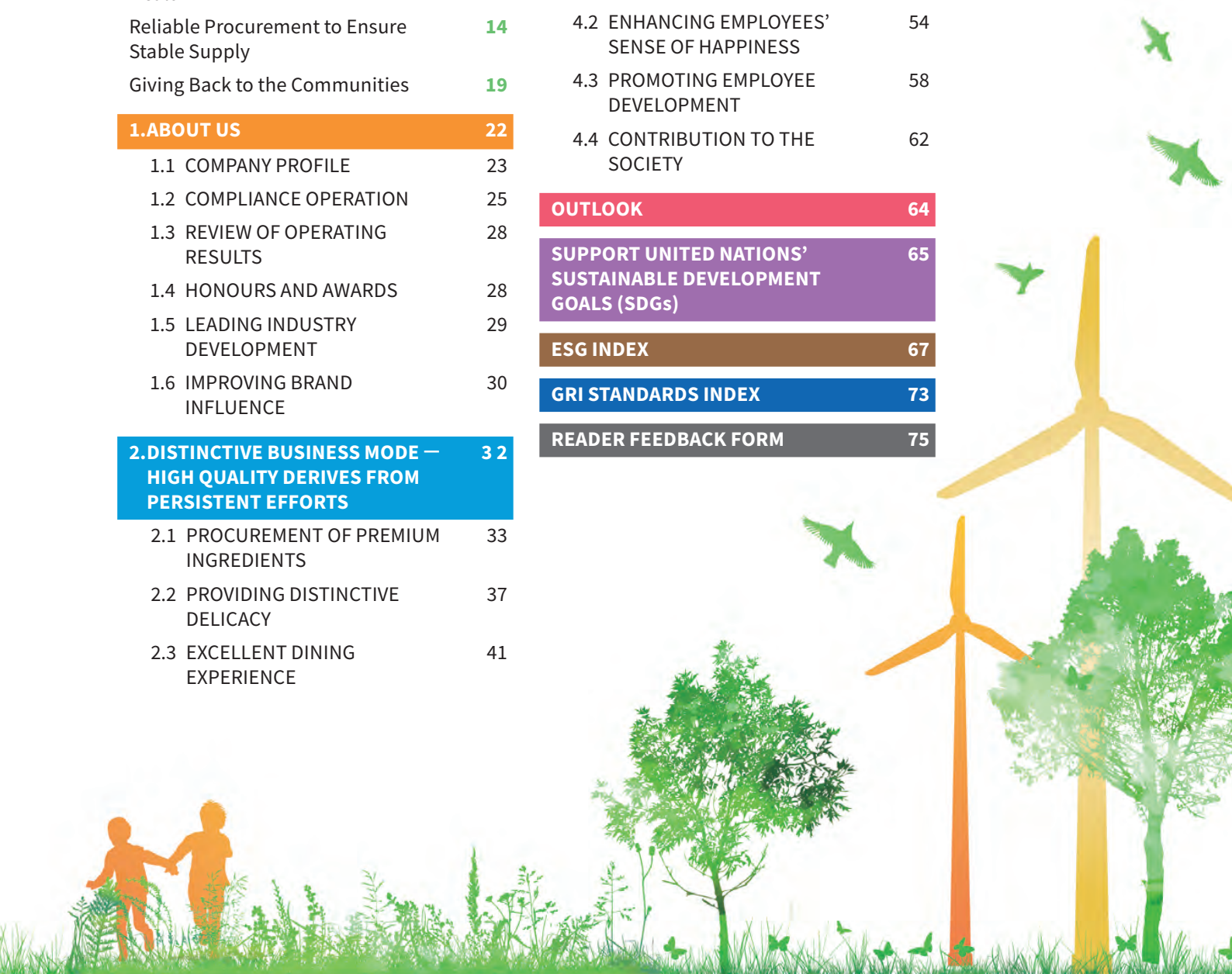
The electronic version of the report is available at the Company’s website (<http://www.xiabu.com/>) and the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>).

This report is published in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.



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Mr. Ho Kuang-Chi
Chairman of the Board



CHAIRMAN'S MESSAGE

In 2020, due to the impact on the society and the economy brought by the unexpected outbreak of COVID-19 pandemic, the catering industry was faced with severe challenges and the dine-in business of the catering companies was suspended temporarily. Faced with the pandemic, Xiabuxiabu showed robust resilience with composed response and flexible strategy. While making active response to the pandemic prevention and control policies and taking protective measures to ensure health and safety of our customers and staff, we continued to leverage on our keen industry insights to translate this new challenge to our day-to-day production and operation mechanism amidst the pandemic into a new opportunity to accelerate the development of the “quarantine economy” represented by the delivery service business. Amidst a market environment where opportunities and challenges coexisted for the catering industry, we remained committed to our corporate mission of “offering more people with healthy, nutritious, delicious food and stylish dining environment” and adhered to the motto that “High quality derives from persistent efforts and persistently providing quality food for customers”, endeavouring to provide customers with nutritious and delicious food, elegant and comfortable dining environment and excellent dining experience. We continued to implement green operation, promote industry development, care for our employees and participate in social public welfare, in an effort to promote the sustainable development of the economy, the society and the environment. We strived to maintain a stable development momentum by persistently pursuing for excellence, with an aim to eventually become “the leading Chinese catering company with business presence across China and around the world”.

As at the end of 2020, the Group owned and operated 1,061 Xiabuxiabu restaurants in 130 cities over 24 provinces and autonomous regions and in three centrally administered municipalities namely Beijing, Tianjin and Shanghai in China, and also owned and operated 140 Coucou restaurants in 30 cities over 18 provinces and in three centrally administered municipalities namely Beijing, Shanghai and Tianjin as well as in Hong Kong SAR in China. In 2020, we strived to overcome all challenges encountered and seize available opportunities. Amidst the outbreak of the pandemic, the Group bucked the trend to register growth for Xiabuxiabu restaurants and Coucou restaurants, and opened 91 Xiabuxiabu restaurants and 38 Coucou restaurants. In addition, Coucou joined hands with Disney, a premium global amusement park brand, and became the first hotspot brand to extend its business presence into Disneyland park. As at the end of the reporting period, Xiabuxiabu recorded a revenue of RMB5,455 million.



CHAIRMAN'S MESSAGE

We devoted ourselves in the fight against the pandemic while exploring industry development opportunities. Faced with the impact brought by the pandemic, we promptly formulated a series of pandemic prevention and control measures based on the pandemic containment policies issued by the government, and procured ingredients directly from the source to ensure stable supply of quality in adequate quantity, so as to protect the health and safety of our customers and staff. In order to make contributions to the pandemic prevention and control campaign as a player in the catering industry and to support the frontline personnel in the fight against the pandemic, Xiabuxiabu proactively donated money and material supply and provided free food services, making concrete efforts to give back to the society and fulfill its responsibility as a catering enterprise in the modern time. Meanwhile, we recognised the development potential of the “quarantine economy” represented by the delivery services. Xiabuxiabu is dedicated to providing quality food delivery services, which not only helps to support the implementation of the quarantine policy and also expands its sales network, enabling the development of the Company amidst the adverse impact of the pandemic.

We are committed to providing quality food for customers by persistently pursuing for super quality. Through stringent selection criteria and persistent pursuit for excellence, Xiabuxiabu remains committed to providing customers with super quality ingredients, in an effort to offer unique delicacy and upgrade dining experience. We implement stringent selection procedures to recruit quality suppliers, and continue to implement the “farm-to-table” project to control ingredient quality throughout the process from farm to dining table, in an effort to ensure product quality from the source. In addition, we supervise the entire food processing process according to the national standards for food safety and the product quality standards of Xiabuxiabu, and adopt the direct distribution approach nationwide by leveraging on the TMS system, successfully establishing the “Xiabuxiabu quality” standard to lead the industry upgrading. While staying true to its original inspiration, Xiabuxiabu proactively pushes forward innovations. During the report period, we carried out brand upgrading and optimising focused on the younger generations by redesigning our brand Logo in the colour of sunshine orange and launching the new LIGHT-POT restaurant mode, and enhanced brand influence and recognition through live stream on e-commerce platforms, opening of various theme stores, cooperation with mobile games brands, exchange of entertainment resources and other means, with an aim to increase the appeal of brand concept to the younger generations.

We promote low-carbon operation to contribute to the ecological civilisation construction. Xiabuxiabu proactively implements green development concept, and conducts continuous update and upgrade of its energy conservation system and energy-saving equipment. We replace paper-based manual management with cloud-based structured management, give priority to green materials for restaurant decoration, implement strict waste sort-out practice, gradually replace the plastic products, implement cost control and expand income sources, and constantly enhance emission reduction management, with an aim to promote sustainable development with parallel emphasis on environmental protection, ecological system and operation efficiency.

We uphold the people-oriented principle and are dedicated to giving back to the society. We consider our employees as valuable assets of the Company, and make continuous efforts to guarantee the rights and interests as well as the physical and mental well-being of our employees. We proactively implement democratic management, and establish sound recruitment, training and promotion mechanism, in an effort to facilitate career development of our employees and motivate them to realise their self-worth. Furthermore, we organise a wide range of employee activities and deliver love and care for our employees, so as to create a harmonious and friendly working atmosphere. As a corporate citizen, we are dedicated to giving back to the society. In addition to caring for our employees, we also actively participate in social welfare activities. In active response to the government's strategic initiatives, we implement targeted poverty alleviation and green poverty alleviation programs. Under the unprecedented challenging environment in 2020, we devoted ourselves to the fight against the pandemic by participating in a series of charity welfare activities, offering support for people in need and promoting mutual development of the Company and the society.

During 2020, Xiabuxiabu joined hands with the public to overcome the challenges and fight against the pandemic. Amidst the outbreak of the pandemic, while remaining committed to its original mission of providing quality food, Xiabuxiabu endeavoured to make breakthroughs by upgrading its brand image. Looking forward, Xiabuxiabu will stay committed to its corporate mission and shoulder its responsibility at difficult times to ensure food safety. We will continue to strengthen product innovation, promote green development, facilitate career development of employees and actively participate in public welfare activities, so as to achieve its social value while promoting business development.

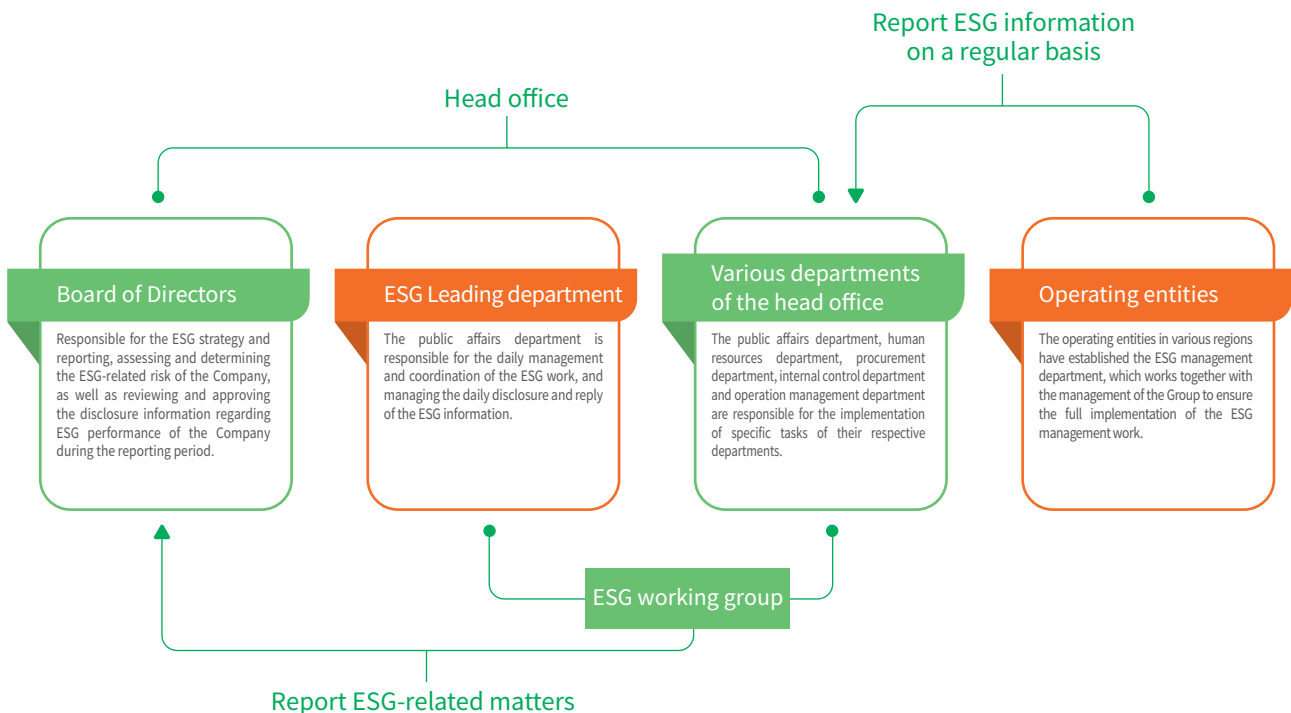
ESG MANAGEMENT

Xiabuxiabu continues to promote its ESG management by increasing the ESG management works in respect of its corporate governance and constantly improving the ESG management mechanism. We take measures to get an understanding of internal appeals which are used as important basis for materiality issues analysis, and place additional emphasis on the management and control of such issues, thus reducing our operating risks. In addition, we maintain close communication with our stakeholders and take measures to improve our ESG strategy and performance. We advocate the concept of sustainable development and actively respond to the expectations of various stakeholders, so as to bring more sustainable values to investors and promote sustainable development of the Company and the society.

ESG MANAGEMENT MECHANISM

Xiabuxiabu has established an interlinked ESG management mechanism to ensure that our ESG efforts are carried out in an orderly manner. Our Board of Directors is responsible for the development of ESG strategy and reporting thereon, and is also responsible for reviewing and making decisions on the material ESG-related issues of the Company. Our ESG working group, which consists of various departments involved in employees, food safety, public welfare and other ESG issues, takes the responsibility of reporting ESG matters to the Board of Directors.

The public affairs department of our head office which acts as the leading department of the ESG working group is responsible for the coordination and arrangement of the ESG work, while other departments of the head office are responsible for the implementation of specific tasks as well as maintaining and reporting the annual ESG information regarding the issues handled by the respective departments, coordinating the task implementation and information reporting by each operating entity, and assigning a contact person for the ESG work who is responsible for the coordination and management of the issues handled by the department that he works for. The relevant departments of local operating entities carry out the implementation of specific tasks in accordance with the requirements of the head office and report the ESG information on a regular basis, so as to establish an effective system for synergetic effect and coordination.



ESG MANAGEMENT

STAKEHOLDER COMMUNICATION

Xiabuxiabu maintains its communication with stakeholders, establishes diverse communication channels, continuously listens to the expectations and demands of stakeholders, and responds to their opinions in a timely manner. While operating in accordance with laws and regulations, we also fulfil our society responsibility and create value for the stakeholders.

From the perspective of sustainable development, the Company organizes and develops a communication table on stakeholders to provide a basis for the identification of its materiality issues.

Stakeholders	Communication mode	Expectations and aspirations	Our response
Government and regulatory authorities	<ul style="list-style-type: none"> Daily communication Submission of information 	<ul style="list-style-type: none"> Compliance operation Stringent internal control and risk management 	<ul style="list-style-type: none"> Enhancing compliance operation Fulfilling tax obligations Strengthening risk management
Investors	<ul style="list-style-type: none"> Regular information disclosure General meetings Daily communication Official website 	<ul style="list-style-type: none"> Satisfactory operating results Sustained and steady growth Operation with integrity and transparency 	<ul style="list-style-type: none"> Constantly improving our ability to create value Enhancing corporate risk management Promoting transparent and open information disclosure Enhancing investor management
Consumers	<ul style="list-style-type: none"> Complaint hotline Customer satisfaction survey 	<ul style="list-style-type: none"> Food safety Efficient and quality service Nutritious, healthy and diversified product mix Brand building 	<ul style="list-style-type: none"> Implementing strict control over food procurement Adopting direct distribution approach Elaborately preparing ingredients Optimising dining environment Safeguarding consumers' rights and interests
Environment	<ul style="list-style-type: none"> Advocating the concept of environmental protection Adhering to the strategy of sustainable development Disclosure of environmental information 	<ul style="list-style-type: none"> Supporting energy conservation and emission reduction, and promoting low-carbon lifestyle Emission of greenhouse gas (GHG) Kitchen wastes generated Energy consumption Resource conservation Sticking to the strategy of green sustainable development 	<ul style="list-style-type: none"> Promoting environmentally-friendly and low-carbon restaurant operation Strictly managing treatment of kitchen wastes Advocating the concept of green office

ESG MANAGEMENT

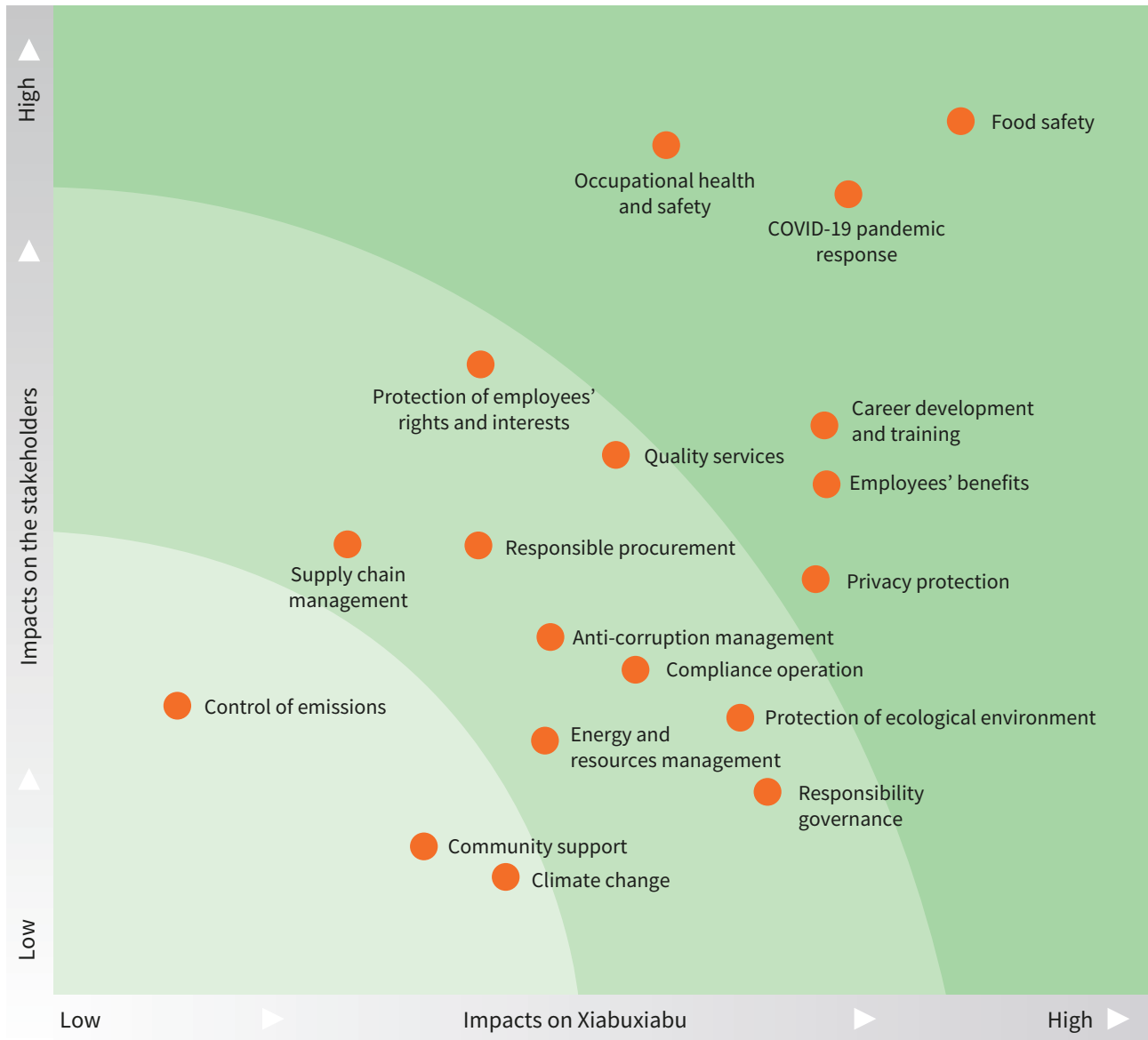
Stakeholders	Communication mode	Expectations and aspirations	Our response
Employees	<ul style="list-style-type: none"> • Training exchange • Performance management mechanism 	<ul style="list-style-type: none"> • Protecting the legitimate rights and interests of the employees • Remuneration and benefits • Providing fair and equal employment opportunities • Providing diversified development and promotion opportunities 	<ul style="list-style-type: none"> • Implementing fair recruitment practice • Providing diversified training and study programs • Providing smooth career development path • Organising staff activities to promote a healthy work-life balance
Suppliers and business partners	<ul style="list-style-type: none"> • Supplier assessment • Cooperation agreements • Regular visits 	<ul style="list-style-type: none"> • Fair procurement policy and fulfillment of promises • Ensuring food quality and safety • Local procurement 	<ul style="list-style-type: none"> • Enhancing procurement management • Implementing “farm-to-table” project • Implementing fair and open procurement
Community	<ul style="list-style-type: none"> • Community activities • Community services 	<ul style="list-style-type: none"> • Promoting safety compliance operation • Organising activities for community charity to promote community harmony • Implementing green operation 	<ul style="list-style-type: none"> • Opening restaurants in communities • Enhancing restaurant safety management • Organising public welfare activities

MATERIALITY ISSUES ANALYSIS

With reference to the *Environment, Social and Governance (ESG) Reporting Guide* as set out in Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the international standards, we carried out assessment and analysis on the ESG-related issues through questionnaire survey, interview, communication and other means led by the ESG Working Group based on their respective importance to the stakeholders and the Company, and sorted out and prepared the below ESG materiality matrix. Details on the management of the material ESG issues identified will be disclosed in this report.

During the reporting period, the Group, on one hand, sorted out the concerns over the Company by the stakeholders of various department during the daily operation, and on the other hand, handed out questionnaires to the stakeholders such as the government and regulatory authorities, investors/shareholders, the Board, employees, consumers, suppliers, business partners, peer companies, the public, non-governmental organisations, the experts, and received 382 completed questionnaires. The survey results from communication with external stakeholders served as the basis for the preparation of ESG-related issues focused by the stakeholders, while the survey results from communication with the management such as the Board and the senior management of the Company served as the basis for the determination of issues that are important to the Company. We developed the ESG materiality matrix of the Group through assessment, identification and sort-out of these issues and made detailed disclosure in respect of such issues.

ESG MANAGEMENT



THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

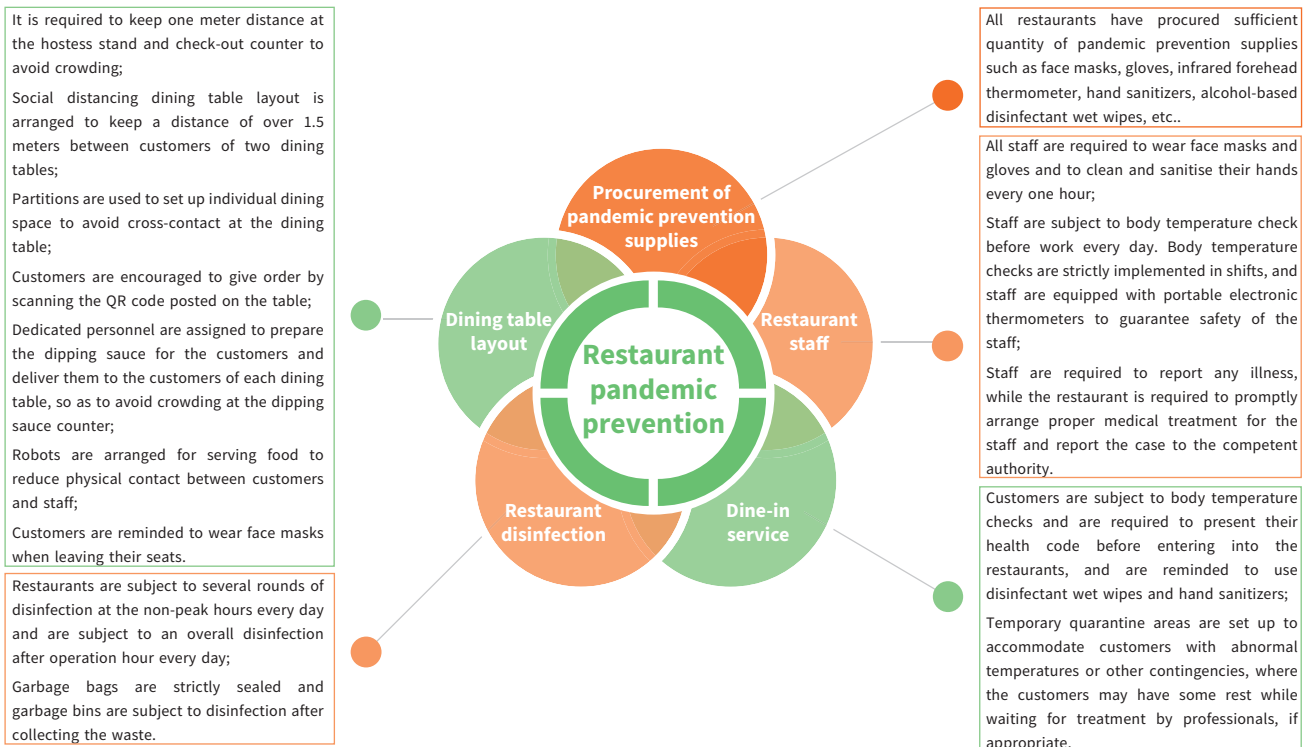
In 2020, Xiabuxiabu took effective measures to successfully overcome the challenges brought by the unexpected outbreak of COVID-19 pandemic. We developed a sophisticated pandemic prevention and control plan which covered all restaurants, delivery services, office and staff dormitory, in an effort to guarantee the health of our staff and customers. In addition, we enhanced management over the supply chain, so as to ensure reliable ingredient quality and stable supply. During the pandemic, while maintaining a stable operation amidst the outbreak of the pandemic, Xiabuxiabu proactively made donations in cash and in kind, guaranteed undisrupted supply of food services, participated in volunteer activities and provided support and assistance for communities and frontline personnel in the fight against the pandemic through various ways, demonstrating its robust resilience and strong commitment to fulfil its responsibility as a catering enterprise.

IMPLEMENTING PANDEMIC PREVENTION AND CONTROL MEASURES TO GUARANTEE HEALTH

Due to our experience amidst the outbreak of SARS seventeen years ago, Xiabuxiabu always stays vigilant against public health issue, enabling Xiabuxiabu to make prompt response to such unexpected contingency. On 17 January 2020, Xiabuxiabu set up a steering group for pandemic prevention in Wuhan, Hubei province, which procured disinfection supplies and other protective supplies in advance when there were still ample supply of such materials and promptly gave instructions to carry out preparation work for pandemic prevention and control for all restaurants in Hubei. On 19 January, in light of the development of the pandemic, Xiabuxiabu established the top pandemic prevention steering group of the Group to coordinate the group-wide efforts in fighting against the pandemic.

• Protecting customers' health

Xiabuxiabu has been promoting the business mode of “choosing your own pot (一人一鍋)”, and is committed to providing customers with considerate services without unnecessary interruption. During the pandemic, Xiabuxiabu gained advantages with its individual pot business mode and distinctive services as they contributed to a more hygienic dining environment and allowed less physical contact, which was highly aligned with the pandemic prevention and control requirements. In order to further protect the health of our customers, we adopted a series of measures to upgrade our services during the pandemic.



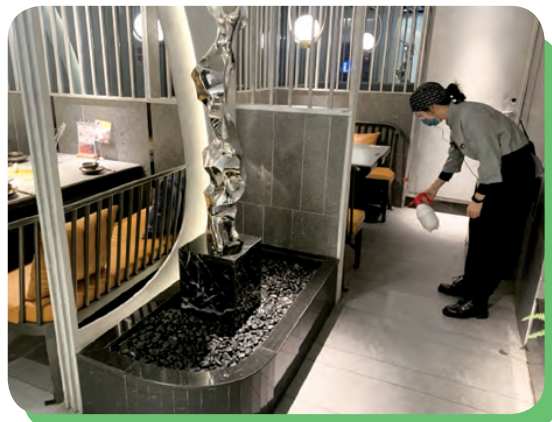
THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD



Xiabuxiabu has its safe service guarantees amidst the outbreak of the pandemic printed on the placemats used in the restaurants



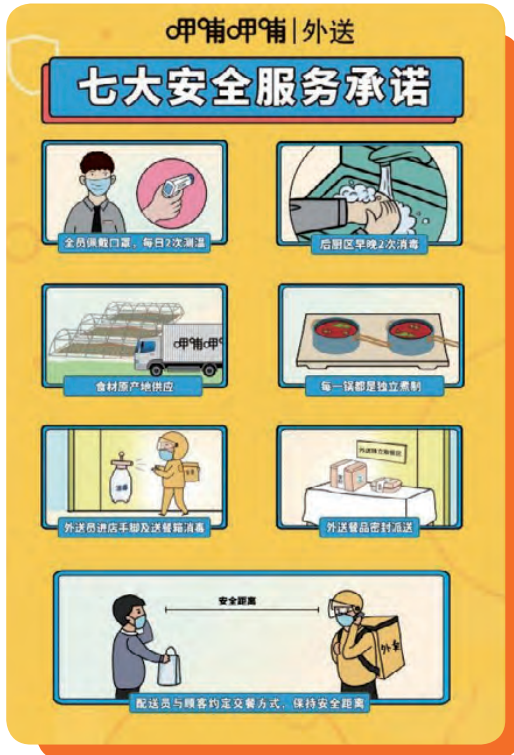
Restaurant staff taking body temperature before customer entering into the restaurants



Restaurant staff carrying out disinfection procedures at the non-peak hours

Faced with the special situation during the pandemic, Xiabuxiabu Delivery launched the “zero contact delivery” services in February 2020 which promptly became a nationwide practice. Xiabuxiabu Delivery strictly complied with its “seven safe service guarantees”, namely all staff are required to wear face masks and are subject to body temperature checks twice a day; the kitchens are subject to disinfection practice each in the morning and evening respectively; ingredients are procured directly from origin sources; every pot is prepared separately (Xiazhuxiatang); delivery staff shall have their hands and feet and the delivery boxes disinfected before entering into the restaurants; take-out food are delivered in sealed condition; and delivery staff shall contact each customer in advance to agree on how to hand the food to the customer while keeping safe distance, so as to provide customers with safe and hygienic food.

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD



Seven safe service guarantees by
Xiabuxiabu Delivery



Take-out food of Coucou restaurants accompanied with
a "delivery service statement"

Coucou restaurants also launched food delivery services during the pandemic. In order to provide customers with safe food, all delivery staff are subject to body temperature checks and hand sanitation before entering into the restaurants to collect the food that was accompanied with a "delivery service statement" which sets out the names and body temperatures of each staff involving in preparing, packaging and delivering the food, allowing the Company to trace all staff involved in every step of the process.

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

• Protecting staff health

Office

- Real-time health report, nucleic acid testing results, close contact history, travel history to any high/medium risk zones and other information of all staff are collected through internal health reporting system every day, providing timely and accurate information for the pandemic prevention and response mechanism of the Company;
- All staff are required to wear face masks and subject to body temperature checks before getting on the shuffle buses while the person-in-charge of each shuffle bus carries out disinfection procedures for the bus every day;
- Body temperature of each staff is recorded before entering into the office, and those with a temperature of above 37.2°C are prohibited from entering into the office;
- All staff are equipped with face masks and waste bins are placed at designated spots to collect used protective equipment. These spots are subject to disinfection from time to time;
- Central air-conditioners are subject to disinfection every day. High-risk zones and facilities within the office are subject to thorough disinfection, including the entrances and exits for staff and vehicles, toilets, door knobs, public objects, etc.;
- Efforts have been made to carry out pandemic prevention and control publicity and popularisation of pandemic prevention acknowledge.

Company canteens

- All staff are subject to body temperature checks and required to fill in personal information before entering into the canteens, and also are required to maintain a safe distance of one meter in a queue within the canteens;
- The number of staff dining in the canteens are limited, and the dining tables are placed facing the same direction with one table for one staff;
- All tableware is subject to thorough disinfection, and staff are encouraged to bring their own tableware.

Staff dormitory

- Staff dormitories are subject to disinfection every day;
- Staff returned from travel outside are subject to quarantine observation for 14 days during which they are subject to body temperature checks every day;
- A quarantine area is set up within the staff dormitory to accommodate staff who has fallen ill for the purpose of temporary quarantine, so as to reduce the risk of crowd spread.

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD



Pandemic posters designed by Xiabuxiabu for its staff



All dining tables are facing the same direction
with one table for one staff



Daily disinfection for central air-conditioners
at the office

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

RELIABLE PROCUREMENT TO ENSURE STABLE SUPPLY

Xiabuxiabu implemented strict quality control over ingredient supply from health quarantine, supply channels and other aspects, so as to prevent pandemic spread through the supply chain and ensure food safety. In addition, by keeping abreast of the latest development of the pandemic and changes in the pandemic containment policy, we took flexible measures to deal with unexpected contingencies occurred along the supply chain during the pandemic, so as to ensure stable supply. During the pandemic, Xiabuxiabu maintained efficient operation of the supply chain, which not only provided sufficient supply to meet our operation needs and also enabled it to offer convenient services for the public to safeguard people's livelihood.

- **Guarantee product quality**

➤ **ACHIEVE TRACEABILITY FOR COLD-CHAIN PRODUCTS THROUGHOUT THE ENTIRE PROCESS**

Information on the imported frozen products procured by Xiabuxiabu is uploaded to the traceability platform, while the electronic traceability codes generated by the platform are attached to the external packaging bags of the products, allowing access to the traceability information of the cold-chain products including the specification, batch number, origin, inspection and quarantine test results, nucleic acid testing results and certificate of disinfection by scanning the traceability codes.

➤ **ANALYSE THE PANDEMIC RISK OF THE SUPPLY CHAIN**

Faced with the risk of pandemic spread through the imported frozen food, Xiabuxiabu kept a close watch over the development of the pandemic around the world to avoid import of products from severely affected countries. We conducted assessment on the overseas suppliers in terms of their capability in pandemic prevention and control, and cooperated with large companies that delivered an outstanding performance in pandemic containment, so as to prevent pandemic spread through the supply chain.

Xiabuxiabu kept following the latest information of the industry, and took measures to mitigate the ingredient risks due to the outbreak of the pandemic. For example, following news of the potential virus spread hazards through the external packages of products of various batches provided by its white shrimp suppliers from Ecuador, Xiabuxiabu promptly replaced them with other suppliers to avoid supply chain risks. During the reporting period, there were no report of positive nucleic acid testing results regarding any imported product or packaging material.

➤ **MANAGEMENT OF THE ENTIRE INGREDIENT SUPPLY CHAIN**

During the pandemic, in order to ensure the quality of cold-chain ingredients, Xiabuxiabu formulated the *Anti-pandemic Emergency Management System for Imported Cold Chain Food* (《進口冷鏈食品新冠防控應急管理制度》) and strictly abode by the system. Through careful planning and coordination among all participants of the supply chain, we strictly implemented the imported cold chain supervision policies introduced by the local governments, and implemented various prevention and control measures throughout the process covering from suppliers, quality inspection, logistics to restaurants, so as to optimise management of the entire ingredient supply chain.

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

Supplier

- Suppliers are required to strictly comply with the requirements for pandemic prevention and control and conduct dual nucleic acid testing for the products based on batch number/product category;
- Suppliers are required to sign the Food Safety Statement (食品安全承諾書) to ensure that the ingredients are sourced from legitimate channels.

Quality inspection

- Dedicated personnel are assigned to carry out inspections on the imported cold-chain food in accordance with the inspection standards for incoming goods, and raw materials are only accepted for storage in our logistics warehouses after presenting the certificate of inspection and quarantine for exported and imported goods, certificate of nucleic acid testing and certificate of disinfection.

Logistics and storage

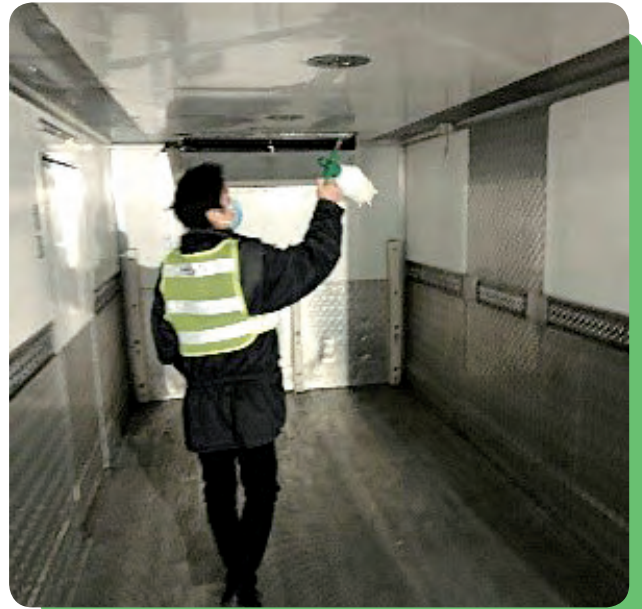
- Staff are equipped with pandemic prevention supplies including face masks, gloves, thermometers and sanitizers, and are required to wear protective equipment properly; We carry out body temperature checks for all staff and maintain proper record every day, and are required to report to the competent authorities promptly if any staff fall ill;
- All platforms, equipment, surrounding areas of the warehouses operated by ourselves and third parties as well as the external surface, tyres, driver cabinet, interior cabinet walls and floors of all transportation vehicles are subject to disinfection every day;
- We have developed clear guidelines on pandemic prevention and control for goods delivery and downloading process, and staff are required to strictly comply with these guidelines to facilitate smooth delivery and goods acceptance.

Restaurant

- All restaurants strictly comply with the guideline on pandemic prevention and control for the catering industry issued by the government;
- For emergency replacement of imported materials, the relevant internal guideline shall be followed.



Disinfection of warehouse equipment



Disinfection of interior cabinet walls of transportation vehicles

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

• Maintain stable supply

In 2020, due to the pandemic, stagnant market brought severe challenges to the operation of Xiabuxiabu. Under such challenging environment, Xiabuxiabu continued to adhere to the motto of integrity operation, and endeavoured to comply with the pandemic prevention and control requirements without raising prices. During the pandemic, supply shortage in the market led to insufficient ingredient supply for restaurant operation, and cross-border procurement was also subject to virus spread risks due to the rampant spread of the pandemic in the global scale. In this context, how to ensure stable ingredient supply became a difficult task. By adopting flexible strategies, Xiabuxiabu kept a close watch over the ingredient consumption of each operation unit and the pandemic prevention and control requirements of the local governments, and endeavoured to avoid supply disruption or excessive inventory through various approaches such as adjusting inventory level and distribution plan from time to time and selecting alternative/candidate suppliers and products to replace existing ones.

While endeavouring to ensure sufficient supply to meet its own operation needs, Xiabuxiabu also attached great emphasis to people's livelihood during the pandemic. At the peak of the pandemic, in response to the pandemic prevention and control policy implemented by the government, Xiabuxiabu promptly shut down a majority of its restaurants. However, in order to meet the dining needs of people at the hospitals and residential communities during this special period of time, the nearby restaurants continued to provide food delivery services. Although the revenue generated by any single restaurant was not sufficient to cover its own operation costs, Xiabuxiabu was determined to providing dining services for the frontline personnel and residents of the communities to help them navigate through this period of hardship instead of focusing on operation profitability, making contributions to the fight against the pandemic as a responsible corporate citizen.

In light of the impact brought by the pandemic, and to make it convenient for the residents to source fresh ingredients, our headoffice and certain restaurants in Beijing launched ingredient sales services, allowing the public to purchase all kinds of ingredients procured by the Company, including meat, seafood, staple food, condiment products, etc.. During the pandemic, Xiabuxiabu Delivery launched the online fresh ingredient sales channel, providing fresh ingredient door-step delivery services via Meituan, Ele.me and other delivery Apps.

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD



Citizens from surrounding areas purchasing ingredients procured by Xiabuxiabu



Online ingredient delivery services launched by Xiabuxiabu Delivery

Amidst the nationwide concerted efforts in fighting against the pandemic, Xiabuxiabu proactively participated in the “three guarantees” campaign initiated by the State Administration for Market Regulation. In addition, following the resumption of work and operation in March 2020, we launched several premium set meals with favourable prices under the theme of “value-worth delicacy for individual (一人食 食满分)”, in an effort to give back to the society by maintaining food quality and stable supply without price raises and make contribution to the battle against the pandemic.

Case: Participation in the “three guarantees” campaign

Following the outbreak of the pandemic in 2020, Xiabuxiabu took various measures according to the pandemic prevention and control requirements, including shutting down restaurants, launching delivery services and stepping up anti-pandemic efforts. At the same time, due to the market disruption caused by the pandemic, our operation was also under great pressure. Despite the challenging environment, the Company remained determined to overcoming all the challenges and continued to adhere to the motto of integrity operation. In an active response to the initiatives launched by the State Administration for Market Regulation, we participated in the “three guarantees” campaign, namely to guarantee price, quality and supply. During the pandemic, we promised not to raise price, strictly comply with pandemic prevention requirements and implement stringent control over food quality, in an effort to stabilize market price and safeguard people’s livelihood.

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

By strengthening industry self-discipline, Xiabuxiabu expedited resumption of production capacity, maintained persistent product quality and improved service quality according to market demands. While taking measures to ensure safety and maintain price stability, Xiabuxiabu endeavoured to enrich market supply, continued to operate with integrity and fulfilled its social responsibility, demonstrating robust resilience and strong commitment during the pandemic.



Vice president of the supply chain undertaking on behalf of Xiabuxiabu to participate in the “three guarantees” campaign



Individual premium set meals with favourable prices

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

GIVING BACK TO THE COMMUNITIES

Following the unexpected outbreak of COVID-19 in 2020, in order to support the frontline personnel in the fight against the pandemic, Xiabuxiabu donated money and material, and provided free food services, making concrete efforts to deliver love and care and leveraging on its own strengths to contribute to the fight against the pandemic. Our staff also participated in team as volunteers and devoted themselves to the course despite the danger, making their own contributions to the fight against the pandemic.

Case: Donation of money and materials for the fight against the pandemic

In order to support the frontline work in the fight against the pandemic, Xiabuxiabu donated on 31 January 2020 RMB1 million to the “Fight Against the Pandemic (抗擊疫情·眾志成城)” project initiated by Beijing Chunmiao Charity Foundation for the purchase of medical supplies that were then in great need in Hubei province such as oxygen concentrators and pulse oximeters. On 12 February, Xiabuxiabu joined hands with the government of XilinGol League to provide 250 tonnes of beef and lamb for Hubei Province.



Xiabuxiabu was accredited as the “Caring Company” by Beijing Chunmiao Charity Foundation



Oxygen concentrators bought with the money donated by Xiabuxiabu has arrived at Wuhan

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

Case: Supply free food for frontline personnel

As a catering enterprise, Xiabuxiabu provided free food for medical staff, sanitary workers, community workers, traffic policemen and other frontline personnel in the fight against the pandemic during the pandemic. All restaurants operated by Xiabuxiabu across the country voluntarily participated in this activity, delivering love and care to the frontline workers in the fight against the pandemic. According to incomplete statistics, Xiabuxiabu provided nearly 8,000 sets of cooked meals and tea beverages for free during February to March 2020.



Providing free meals to anti-pandemic staff of Huangcun Town community by Xiabu Beijing Division



Providing free meals for frontline medical staff by Coucou Shanghai restaurant



Providing free meals for disease control and prevention staff in Changchun City by Xiabuxiabu Northeastern China Division



Providing free meals to sanitary workers by Coucou Shenzhen restaurant of Southern China Division

THEME: FIGHTING AGAINST THE PANDEMIC BY PROVIDING SAFE FOOD

Case: Participation in frontline volunteer services in the fight against the pandemic by our staff

In June 2020, Huangcun Town of Daxing District in Beijing City where our headoffice is located was identified as high risk zone with shortage in pandemic prevention and control staff. When this news came to its notice, Xiabuxiabu organised a temporary team of volunteers consisting of 13 staff from the public affairs, human resources, administration and logistics departments to participate in the fight against the pandemic.

According to the organization deployment of Huangcun Town government, this volunteer team was assigned to two nucleic acid testing stations and was responsible for information registration for people receiving testing, test kit distribution, grouping, order maintenance and other works, demonstrating our commitment to fulfilling our social responsibility.



Xiabuxiabu staff voluntarily participated in the nucleic acid testing service



Xiabuxiabu staff volunteers worked at frontline

1 ABOUT US



ABOUT US

1.1 COMPANY PROFILE

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. owns two major brands, i.e., “Xiabuxiabu” and “Coucou”. Xiabuxiabu, originated from Taiwan, is a well-received mini hotpot brand with stylish features. Founded in 1998 in Beijing, Xiabuxiabu is among the Top 10 Hotpot Brands in China and Top 100 Restaurant Brands in China, and was listed on the Main Board of the Stock Exchange on 17 December 2014. As a flexible adaptor to changes in consumption patterns and from the catering market, Xiabuxiabu adheres unwaveringly to its core mission of satisfying consumer needs and builds its business upon friends and family gathering-oriented consumption.

In order to adapt to changes in the market and consumer needs, Xiabuxiabu launched a mid-to-high end brand “Coucou” in Sanlitun, Beijing on 30 June 2016, introducing the perfect fusion of Taiwanese-style spicy hotpot and Taiwanese-style hand-shaken tea, which was an instant success among consumers. In the meanwhile, Xiabuxiabu established its food companies to sell Xiabuxiabu product series including condiments, soup bases and dipping sauces mainly via channels such as e-commerce platforms and supermarkets, so as to satisfy the consumers’ need of a meal accompaniment. In August 2019, Xiabuxiabu fully acquired Xilin Gol League Yishun Halal meat Co., Ltd., which helped to establish its presence in upstream supply chain, ensuring the stable supply of core ingredients for the rapid development of the Group.

As at the end of 2020, the Group owns and operates 1,061 Xiabuxiabu restaurants in 130 cities over 24 provinces and autonomous regions and in three centrally administered municipalities namely Beijing, Tianjin and Shanghai in China, and also owns and operates 140 Coucou restaurants in 30 cities over 18 provinces and in three centrally administered municipalities namely Beijing, Tianjin and Shanghai as well as in Hong Kong SAR in China. In 2020, we opened 91 Xiabuxiabu restaurants and 38 Coucou restaurants.

Xiabuxiabu always sticks to stringent standards and makes relentless efforts to provide customers with the best hotpot cuisine. Over the years, Xiabuxiabu has been implementing a complicated production process that consists dozens of procedures to produce its exclusive condiment products from a secret recipe. More than 20 varieties of spices are selected to develop our delicious soup bases. With direct delivery from origin sources to each restaurant, we are able to provide customers with fresh vegetables and quality meat, offering them unique and better taste. In response to seasonal changes and consumers’ needs, we constantly introduce new high-quality products.

Upholding the motto of “high quality from persistent efforts”, Xiabuxiabu remains true to its original aspiration of providing quality food for its customers.

ABOUT US

Development Milestones of Xiabuxiabu Brand

1998

Xiabuxiabu introduced the bar-style mini hotpot to Mainland China, whose classic dining mode of “choosing your own pot” enables customers earning a living in bustling metropolises to enjoy fresh and convenient catering products and services that are up to their value

1999

The first restaurant of Xiabuxiabu – the Restaurant at Pearl Xidan, Beijing was opened

2003

Xiabuxiabu became a well-known hotpot brand in Beijing with its distinctive business mode of “choosing your own pot”

2008

Xiabuxiabu attracted the attention of investors with its rapid expansion, and gained financial support from Actis (a global emerging market private equity fund)

2009

Xiabuxiabu entered into the rapid development stage and was ranked as one of the top 100 restaurant brands in China

2010

Xiabuxiabu entered into Shanghai market and achieved rapid growth in business size

2013

Xiabuxiabu had become one of the major chain catering enterprises in China with a total of over 400 restaurants

2014

Xiabuxiabu Group was successfully listed in Hong Kong, making it the first listed chain hotpot brand in China

2016

Xiabuxiabu launched the mid-to-high end restaurant brand “Cocou”, which has been expanded from Beijing to Shanghai and Shenzhen

2017

The Company launched the household condiment product line under the brand of Xiabuxiabu which are sold in supermarkets and e-commerce platforms

2019

The Company launched the dual-pronged strategy of “hotpot and tea”

2020

The Company delivered an outstanding performance in pandemic containment and carried out brand upgrading by reshaping its brand image and proposition, launching a new fashionable and dynamic operation mode and improving product quality. By implementing the dual-pronged strategy of “hotpot and tea”, the Company focused on the Millennials and Generation Z who are the major groups of consumers nowadays with emphasis on strong personality, distinctive characteristics and quality of life

ABOUT US

Xiabuxiabu Brand Matrix

Xiabuxiabu Food	Xiabuxiabu Restaurants	Xiabu Hotpot Delivery
<p>Hotpot delicacies are prepared innovatively, supported with tailor-made seasoning sauces, dipping sauces and soup bases, offering excellent and distinctive flavour and taste.</p> 	<p>By promoting the “choosing your own pot” dining mode, the restaurants endeavour to cater to various taste preferences, and also attract the younger generations who place greater emphasis on food quality and personalized demand.</p> <div>  <p>New oriental design restaurant</p> </div> <div>  <p>Mid-to-high end brand in xiabu xiabu</p> </div> <div>  <p>LIGHT-POT fashionable restaurant</p> </div> <div>  <p>LIGHT-POT upgraded restaurant</p> </div>	<p>Xiabu Hotpot Delivery provides quality delivery services, which has extended our business beyond restaurant dine-in services, offering more hotpot lovers with value-worthy and convenient hotpot dining experience.</p> 
<p>Coucou</p> <p>As a leader of the industrial reform through its new business mode of “hotpot and tea”, Coucou restaurants offer the fusion of Taiwanese-style hotpot and Taiwanese-style hand-shaken tea, and its new oriental design has shattered the stereotype of hotpot restaurants.</p> <div>    </div>		

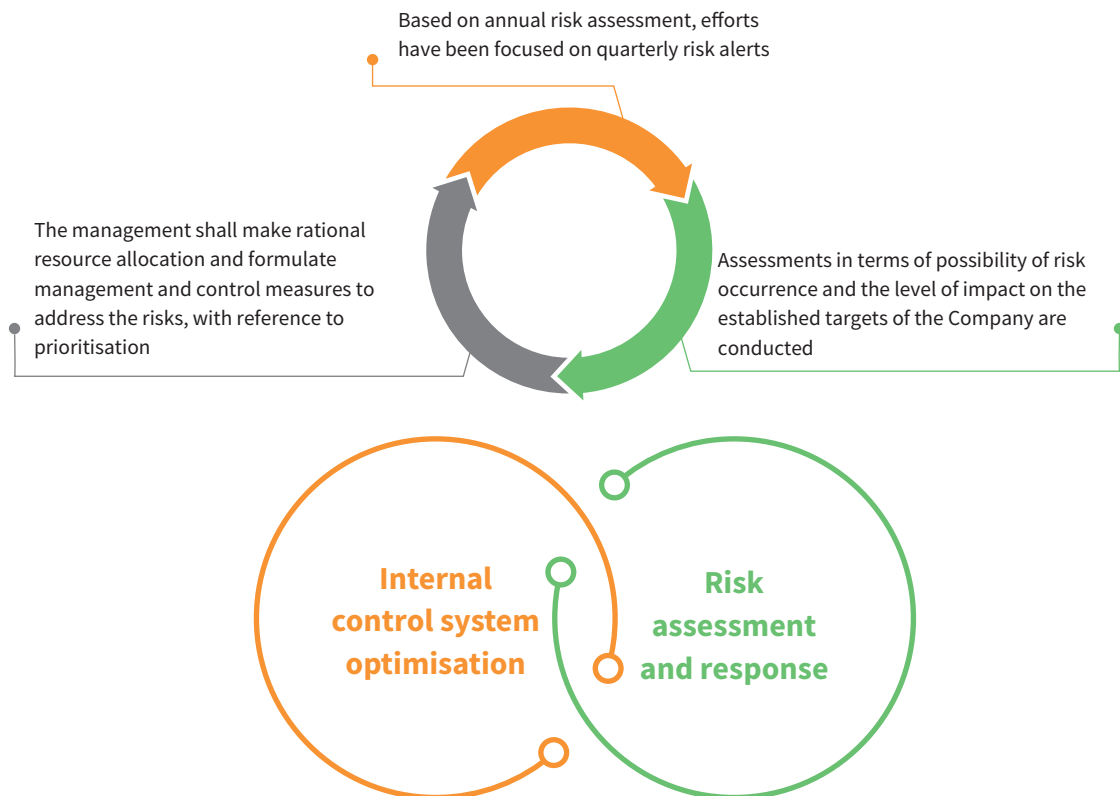
1.2 COMPLIANCE OPERATION

Compliance management by the Company is entailed in stable operation, effective prevention and mitigation of risks, internal controls enhancement, corporate brand and reputation maintenance, and competitiveness and corporate value strengthening. Xiabuxiabu strictly complies with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the relevant regulations of the domestic and overseas securities regulatory authorities. The Company makes continuous efforts to optimise its internal management system, build up a governance structure with clearly-defined authority and duty, improve its corporate governance standard, and enhance risk management and anti-corruption management, so as to continuously promote the quality and efficiency of operation and management at all levels.

ABOUT US

• Risk management

During the reporting period, through continuous improvement of its internal control system and integration of internal control and risk management, the Company has gradually developed a comprehensive risk management system which helps to mitigate organisational risk and improve organisational value.



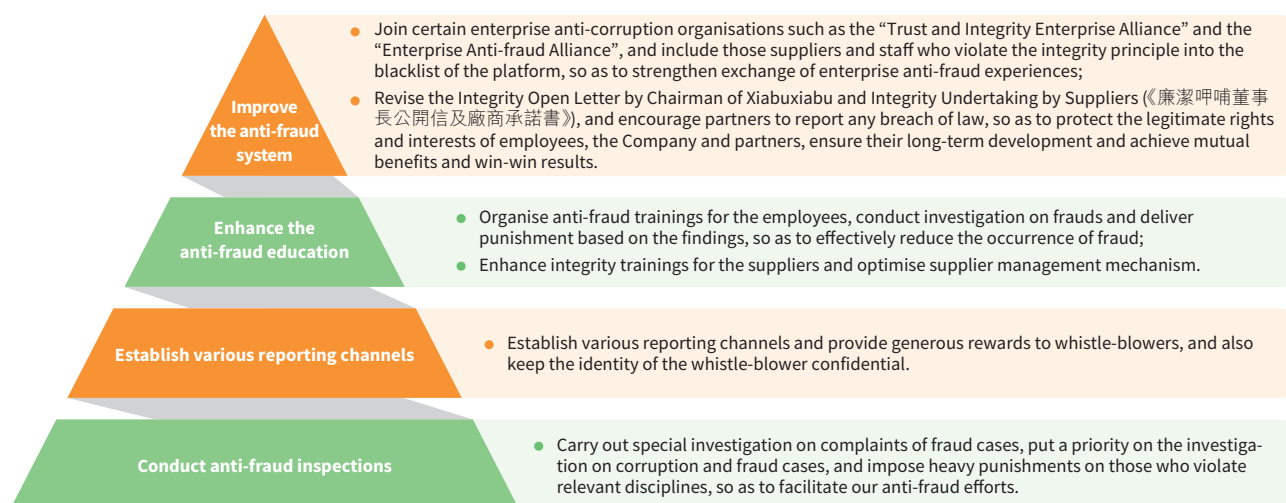
Review and assess the management standard and control process of key businesses of the Company, improve the establishment of internal system, and enhance operation efficiency of the Company, so as to effectively eliminate risks and eventually achieve healthy and stable development:

- Review and rectify the OA system process of Coucou;
- Monitor and optimise the key tender and procurement projects of the Company;
- Carry out special audit works against various function departments, including the Audit on Restaurant Operation Efficiency in Shanghai (《上海開店效益審計》), Audit on the Administrative Department (《行政後勤部審計》), Audit and Improvement on Logistics and Storage (《物流倉儲審計及改進》), Audit on Clean Vegetable Procurement of Coucou Shanghai Restaurant (《湊湊上海淨菜採購審計》), Special Audit on Northeastern China Division (《東北市場專項審計》), and Audit on Engineering Projects of Xiabuxiabu (《呷哺呷哺工程審計》), etc.

ABOUT US

• Anti-corruption

The Company strictly abides by the *Company Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Criminal Procedure Law of the People's Republic of China*, the *Anti-money Laundering Law of the People's Republic of China* and other laws and regulations in China. In addition, the Company has built an independent risk-oriented internal control system featured with the separation of decision-making, execution and supervision to improve its ability of proactively identifying fraud risks. The Company also strengthened the cultivation of integrity awareness among the employees, optimised the reporting and reward policies and strictly carried out investigation on issues reported. A prevention-oriented approach with complementary efforts of cracking down has been in force to root out any corruption and fraud. During the reporting period, five anti-corruption training sessions were conducted with an attendance rate (accumulatively speaking) of over 200 persons in total. At the same time, we carried out anti-fraud cooperation with external suppliers and set up an effective corruption and fraud prevention mechanism. No legal proceedings were filed against the Company in relation to corruption cases in 2020.



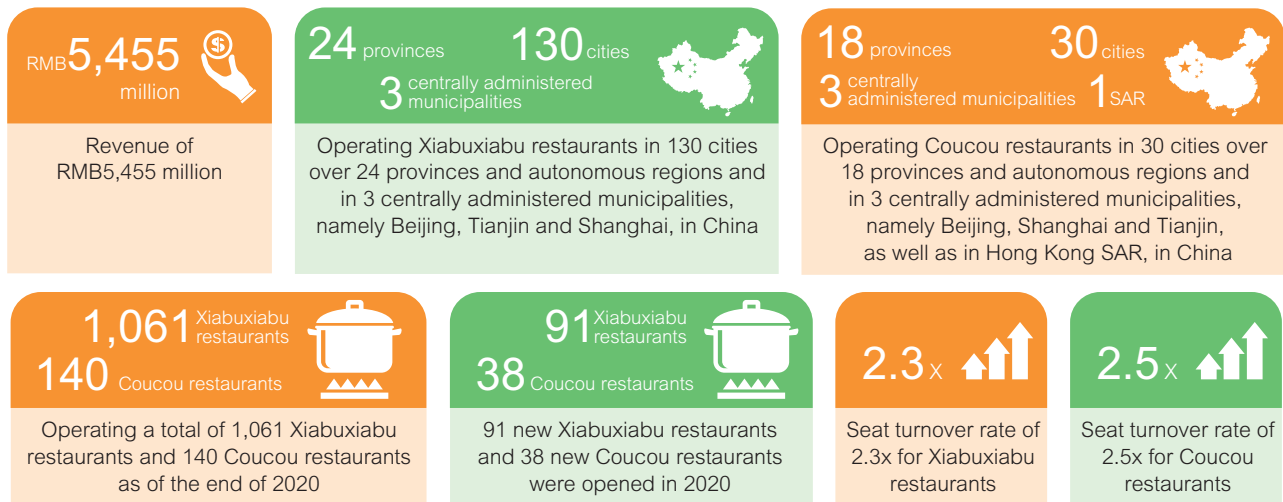
• Intellectual property rights protection

Xiabuxiabu strictly abides by the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Law on Anti-unfair Competition of the People's Republic of China*, the *Implementation Regulations of the Trademark Law*, the *Implementation Rules of the Patent Law* and other laws and regulations. We also attach great emphasis to intellectual property rights protection, and take active actions against all kinds of intellectual property infringements to defend our rights. We strive to safeguard our legitimate rights and interests by various means such as issuing infringement notice letters to the infringers. If this falls short of the intended goal, the Company will safeguard its rights through a combination of non-litigation and litigation approaches. In 2020, adhering to the management philosophy of promoting healthy development of its own brand and implementing punishment against infringement, the Company took active initiatives to fight against infringements by initiating litigation against vicious competition in the marketplace through imitation of our company brand, so as to effectively safeguard our brand image. For example, Xiabuxiabu filed a law suit against the trademark “Xiabumiao” on the ground of bad-faith imitation of its company brand, thus safeguarding the rights and interests of Xiabuxiabu brand as China National Intellectual Property Administration ruled that the “Xiabumiao” trademark shall not be accepted for registration.

ABOUT US

1.3 REVIEW OF OPERATING RESULTS

In 2020, under the guidance of the overall strategic plan and operation targets of the Company, we made great efforts to contain the pandemic, and carried out brand upgrade by redesigning our brand image and proposition and launching a new fashionable and dynamic restaurant mode, with an aim to focus on the younger generations featured with strong personality and distinctive characteristics. Through vigorous product quality enhancement and implementation of the dual-pronged strategy of “hotpot and tea”, not only did the Company achieve stable development but also pushed forward innovations, therefore continuing to create value for all stakeholders.



1.4 HONOURS AND AWARDS

Through our relentless efforts and commitment to quality for the past over twenty years, Xiabuxiabu has earned recognition from vast consumers and won high praises from the industry, and has been recognised as one of the “Top 100 Restaurant Brands in China” for ten consecutive years. Xiabuxiabu has been awarded a number of titles such as “Top 50 Most Valuable Enterprises in China”, “China Corporate Social Responsibility Summit — Outstanding Company”, “Top 10 Hotpot Brands in China”, “Top 50 Catering Enterprise (Group) in Beijing”, “Top 10 Business Brands in Beijing”, “Top 100 Catering Enterprise (Group) in Beijing” and “Beijing Specialty Cuisine” since 2010.



ABOUT US



Awards ¹	Issuing bodies
Golden Lily Award for Chain Store Brands: Innovative Best Practice Cases by Xiabuxiabu	China Chain Store & Franchise Association
2019–2020 Influential Hotpot Brand in China	China Cuisine Association
2019 Top 100 Catering Enterprise in Beijing — Xiabuxiabu Catering Management Co., Ltd.	Beijing Cuisine Association
2019 Top 100 Catering Enterprise in Beijing — Coucou Catering Management Co., Ltd.	Beijing Cuisine Association
2019 Top 100 Restaurant Brands in China — Xiabuxiabu Catering Management Co., Ltd.	China Cuisine Association
2019 Top 100 Restaurant Brands in China — Coucou Catering Management Co., Ltd.	China Cuisine Association
2019 Top 100 Hotpot Brands in China — Xiabuxiabu Catering Management Co., Ltd.	China Cuisine Association
2019 Top 100 Hotpot Brands in China — Coucou Catering Management Co., Ltd.	China Cuisine Association

1.5 LEADING INDUSTRY DEVELOPMENT

As a standing council unit of China Cuisine Association and China Chain Store & Franchise Association and a deputy chairman unit of Beijing Cuisine Association and Beijing Food and Beverage Industry Association, Xiabuxiabu proactively participated in the preparation of the *Guide for Food Labeling for Central Kitchens of the Catering Industry* as well as the preparation and revision of the related policies and proposals, and won high recognition from China Cuisine Association. During the pandemic, leveraging the platforms of the aforementioned associations, we submitted a report on the challenges and issues confronted by the chain restaurant enterprises and relevant suggestions to the competent authorities, providing abundant basic information for the development of various favourable policies to support the enterprises amidst the pandemic. In addition, we gave full play to our innovation and reform strengths as an industry leader, and successfully established the “Xiabu quality (「呷哺味道」)” standard to lead the quality upgrading of the industry. We are committed to creating a fair and harmonious operation environment for the catering industry, and provide sufficient opportunities to facilitate communication among peer players of the industry, making contributions to the promotion of regulated operation and sustainable development of the industry.

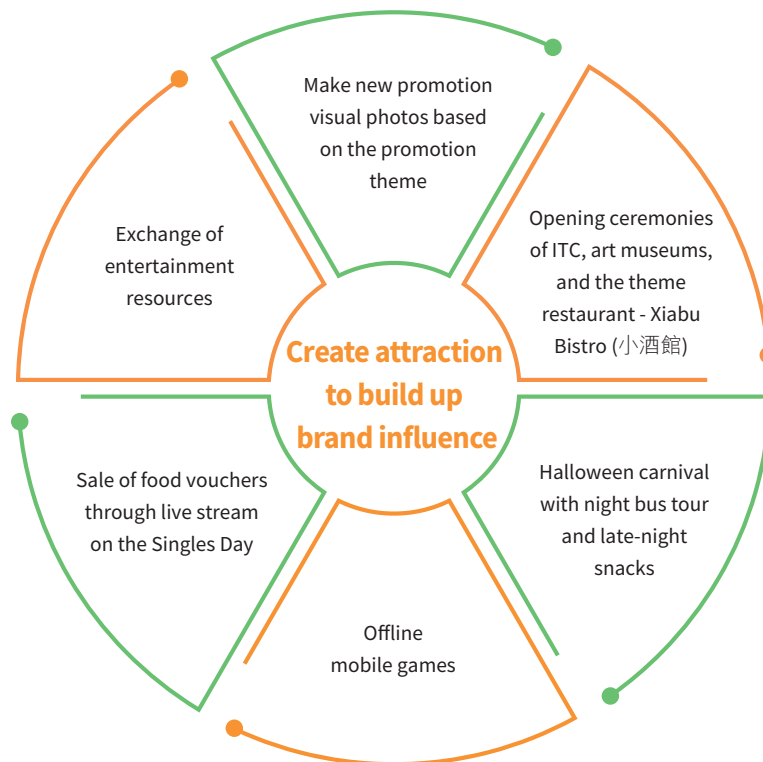
Name of associations	Positions
China Cuisine Association	Standing council
China Chain Store & Franchise Association	Standing council
Beijing Cuisine Association	Deputy chairman
Beijing Food and Beverage Industry Association	Deputy chairman

¹ As the 2019 awards set out in the table were granted in 2020, they are included in this report.

ABOUT US

1.6 IMPROVING BRAND INFLUENCE

The brand influence of an enterprise is essential to its capability to explore new markets, gain market shares and increase revenue sources. Therefore, Xiabuxiabu always attaches great emphasis to the establishment of brand influence, and makes continuous efforts to enhance its brand recognition through innovative and diversified promotion activities. Over the past decades, Xiabuxiabu were dedicated to providing customers with best quality, and made strenuous efforts to enhance customers' royalty to the brand, so as to solidify its leading position in the industry. Currently, the brand-oriented consumption pattern is taking shape, and the distribution and advertisement resources are concentrated on powerful brand media. In order to facilitate the implementation of brand building strategy and establishment of brand name, while providing consumers with healthy and delicious food, Xiabuxiabu joins hands with well-known brands of other industries to hold cross-sector promotion campaigns by leveraging multiple new media operation resources, with an aim to attract potential customers.



ABOUT US

Case: Pilot e-commerce livestreaming promotion by Xiabuxiabu

In 2020, the home confinement of consumers across the country due to the rampant spread of the COVID-19 pandemic on a global scale led to the booming development of e-commerce livestreaming. Given that a brand may build up its name recognition through livestreaming within a short period of time due to its user-friendly and flexible approaches and huge audience base, Xiabuxiabu seized the opportunity to tap into the e-commerce livestreaming promotion. By focusing on mainstream livestreaming platforms, we explored the promotion potential of key opinion leaders such as head anchors, food broadcasters and celebrities. As at the end of 2020, the Company held over 20 livestreaming events which attracted over 100 million audience, successfully establishing its brand recognition, building up brand barriers and enhancing brand influence.

Case: Cooperation with Disney in new restaurant design by Coucou

In November 2020, the latest theme restaurant of Coucou — Triumphant Coucou (凱旋湊湊) was opened in Disneytown. As the first Chinese hotpot brand introduced in Disneytown, the audiovisual and artistic decoration of the restaurant is featured with the art style of Sui and Tang Dynasty and tells a story of love and courage. Triumphant Coucou is also the first hotpot restaurant around the world ever opened in Disneytown, and in addition to the existing popular products offered at Coucou restaurants such as the Taiwanese-style spicy hotpot and the Dahongpao bubble tea, Triumphant Coucou has also launched exclusive soup bases with tailored taste according to the characteristics of customers in Disney.



2 DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS



DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

Complying with the *Food Safety Law of the People's Republic of China* and other laws and regulations, Xiabuxiabu ensures food safety by establishing stringent supplier management and quality inspection system and adopting the direct distribution approach. In addition, we make continuous efforts to improve food quality by procuring delicious ingredients from all over the world and developing new dishes and new products. We also constantly optimise customer experience through various ways including restaurant upgrade and service upgrade, with an aim to offer fresh, nutritious, healthy and safe delicacy as well as efficient, considerate, attentive and friendly services to more customers.

2.1 PROCUREMENT OF PREMIUM INGREDIENTS

In selecting quality suppliers, Xiabuxiabu adopts standard centralized procurement approach, in order to ensure product quality from the source. The Company has established stringent supplier management system and has in place a sound supplier entry and exit mechanism, and carries out supplier assessments according to the relevant criteria set by the Company. Upon notice of any material change in the qualification of any supplier or serious quality issue in the products supplied, the Company will terminate supply by such supplier to ensure food safety. Through the combination of our in-house professional quality inspection team and third party inspection, we conduct random inspections on all kinds of ingredient products to implement strict quality control. We carefully select origin sources and establish standard cold-chain storage warehouses there, so as to improve distribution efficiency and ensure the freshness of ingredients.

• Strict selection of quality supply

STANDARD PROCUREMENT PROCESS

Adhering to the principle of openness, equality and fairness, Xiabuxiabu organises public bidding via bidding platforms, WeChat account, official website and other channels. The Company establishes the bidding price review system based on product categories, determines purchase prices through bidding, price bargain, cost breakdown review and other approaches, and adopts multiple bidding modes including annual bidding procurement, multi-party bidding, quarterly price bargain, monthly price bargain and weekly price bargain. During the reporting period, Xiabuxiabu held a total of over 50 bidding sessions which covered all kinds of products including ingredients, vegetables, dried vegetables and take-out food.

SELECTION AND REVIEW OF SUPPLIERS

Xiabuxiabu implements strict supplier entry criteria, and gives priority to first-class suppliers in the international, domestic and industrial arena when selecting suppliers. We only consider suppliers who possess necessary qualification and pass the sample inspection and on-site assessment.

- **Qualification:** Suppliers are required to present business licenses, production permissions and comprehensive inspection reports prepared by third parties. For suppliers engaged in special industries, they are also required to obtain the specific qualification certificate required for the industry. For example, suppliers of beef and mutton are required to provide permit for designated slaughtering plant and animal epidemic prevention qualification certificate;
- **Sample inspection:** Suppliers are required to provide samples, so that the Company may inspect such samples according to its product standards. For tailor-made products, in addition to sample inspection, the supplier is also required to conduct a pilot test on the tailor-made products, and the sample products will only be accepted as qualified products if the sample passes the pilot test;
- **On-site assessment:** According to the relevant laws and regulations, and in light of the quality characteristics of Xiabuxiabu products, the Company has developed the *Xiabuxiabu Supplier Inspection Criteria* (《呷哺供應商審核標準》). Only suppliers who pass the on-site assessment conducted by our dedicated inspectors according to such criteria will be admitted as qualified suppliers.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

In 2020, the Company revised and improved the quality management process and on-site review rules in respect of domestic suppliers, and has established the introduction system and post-entry management system for overseas suppliers. The Company adjusted the review approach for domestic first-class suppliers in a flexible manner in light of the pandemic by switching to online review in due course. The Company continued to optimise its composition of suppliers by developing local suppliers to accommodate operation needs while reducing the number of single suppliers, completing the development and optimisation of a total of 167 suppliers. As of 31 December 2020, the Company had a total of 597 suppliers.

SUPPLIER VISIT AND INSPECTION

Xiabuxiabu pays regular and irregular visits to the suppliers every year to inspect the production sites of the suppliers, carry out comprehensive assessment of the risks of the suppliers and conduct onsite inspection of the supply and service capacity of the suppliers, so as to ensure product quality from the source. During the reporting period, the procurement department of the Company visited 103 existing suppliers and 113 new suppliers, while the quality management department visited 79 existing suppliers and 114 new suppliers. The Company carried out 28 inspections of vegetable bases and 102 inspections of producers, and conducted 62 market surveys.



Inspection of vegetable bases

Case: Visit to original suppliers of XilinGol lamb

Procurement of XilinGol lamb is an important strategic procurement project of Xiabuxiabu every year. The procurement team shall pay a visit to each supplier two and three months in advance and select available suppliers after mutual consultation with the quality management team. Following the commencement of the quarterly slaughtering, a team will be assigned to the plants of each supplier to supervise their production and conduct assessment on their supply and service capacity, so as to select regular suppliers based on the assessment results.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

During the reporting period, through preliminary assessment for over three months, our team selected a total of ten lamb slaughtering enterprises based in XilinGol League and Hulun Buir League (including one self-operated plant) as suppliers. Inspectors are assigned to each plant to supervise the slaughtering processes, who are responsible for supervising the entire production process covering from goat source management (type, weight, age, breeding method), slaughtering, cutting, shaping and freezing and conducting inspections on finished products on a daily base, so as to ensure that the products meet the product quality standards of Xiabuxiabu.



SUPPLIER ASSESSMENT

The Company has formulated different management measures based on the categories of products supplied, namely all ingredient products are categorised and managed with reference to their risk levels which are determined based on product characteristics, industry characteristics and the quality management standard of the suppliers. In assessing the suppliers, the Company will carry out comprehensive assessment in terms of timeliness of delivery, accuracy of delivery and quality deficiency. We have meetings with suppliers who are subject to customer complaints or quality issues to make sure a full understanding of the situation and analyse the reasons for such problems, so as to make appropriate improvements. During the reporting period, Xiabuxiabu perfected the assessment criteria of suppliers through the following measures to strengthen the management and control of food safety risks:

- We kept a close watch over the latest development in the relevant policies and regulations on imported cold-chain food during the pandemic, which was disseminated within the Company. In addition, we updated our management requirements on the qualification of suppliers of imported cold-chain food, and verified the relevant traceability information of incoming imported cold-chain food upon acceptance inspection such as CIQ, nucleic acid testing report, certificate of disinfection, etc.;
- We collected food safety information publicly released by the government or the media, and issue alerts to suppliers of the relevant products immediately upon notice of any food safety issue in any similar type of products procured by the Company.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

SUSTAINABLE PROCUREMENT

With the increased awareness of sustainable consumption among the public, Xiabuxiabu also attaches greater emphasis to the sustainability of supply chain. When selecting cooperative partners, we take into account of its environmental and social risks, and give priority to suppliers who are committed to their social responsibility. The performance of our existing overseas seafood suppliers in terms of sustainable aquaculture and fishing practice meets or even precedes the industry standard. The farmed seafood products we procured overseas are equipped with the Best Aquaculture Practices certification² which guarantees that best practices in terms of environmental and social responsibility, animal welfare, food safety and traceability have been implemented during the production process, while the harvested seafood are equipped with the certification issued by the Marine Stewardship Council which certifies that the products originate from sustainable fishery.

• Stringent quality inspection system

Xiabuxiabu strictly abides by the *Food Safety Law* and the *Regulations for the Implementation of the Food Safety Law*, and has established a sound system for incoming goods inspection and record. In addition, the Company plans to apply for ISO 22000 Food Safety Management System Certification for the new central kitchen factory. Therefore, the Company reviewed and optimised its existing Food Safety Management Manual, HACCP Manual and other processes and systems, and organised trainings on food safety knowledge during the reporting period, effectively pushing forward the establishment of food safety management system for the central kitchen.

Food safety Sampling inspection process

- In 2020, the Company conducted quality inspection for food safety on over 700 categories of items, including staple food, meat, seafood and surimi, soup base and condiment, tableware, etc.. The Company determined the sampling rate with reference to the product category and risk level, which generally ranged from 3% to 10%. The inspection indicators include sensory, physicochemical and microbiological data;
- The products were sampled by batches. Any product that was determined as unqualified after inspection were refused for acceptance. Products with inconsistent quality performance or higher risk level were subject to stringent inspection by increasing inspection ratio. We implemented strict control over the quality inspection process to ensure food safety.

Professional quality inspection team

- The staff of the Company's quality inspection laboratory have working experiences in relation to food quality inspection and receive trainings on food inspection technology and testing skills. Our team includes three postgraduates and seven undergraduates majoring in food studies, of which nine have food inspector certificates and one holds the Beijing senior food inspection engineer certificate.

Third party inspections

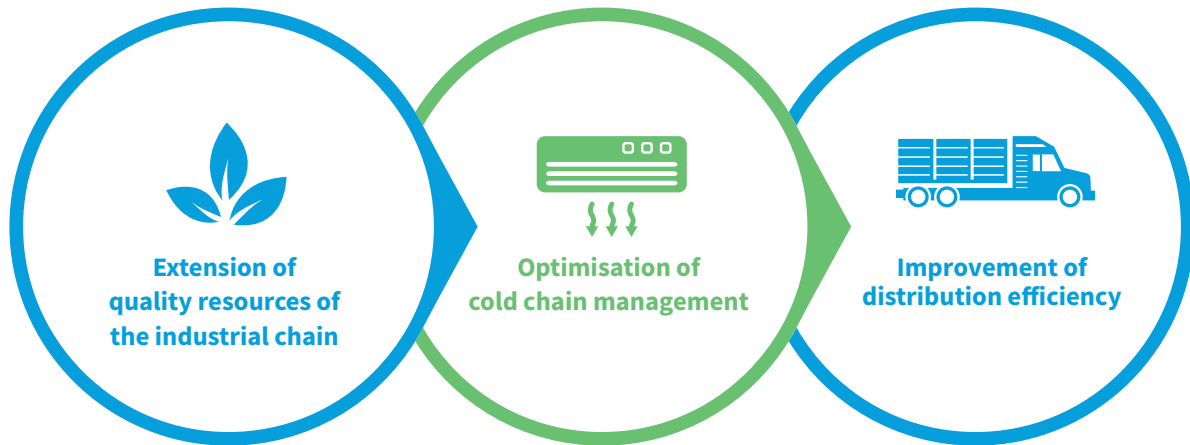
- In 2020, Xiabuxiabu invested nearly RMB0.71 million in food risk control. With reference to the sampling inspection projects implemented by national and local food and drug administrations, and in light of the food safety risk assessment, we had our key materials including staple food, meat, vegetables, seafood and surimi, soup base and condiment products, central kitchen condiments and other food-related products sent to SGS, Pony, Beijing Products Quality Supervision and Inspection Institute and several other inspection agencies with international credibility for third-party inspection, so as to ensure the authenticity and timeliness of quality inspection results.

² The Best Aquaculture Practices (BAP) certification is the voluntary certification program for aquaculture facilities developed by the Global Aquaculture Alliance, and is one of most stringent certifications in terms of supply safety and sustainable practices for the aquaculture and processing sector.

³ The Marine Stewardship Council (MSC) certification is the most authoritative certification for sustainable fishery in the world. Any fishing company that has obtained such certification may attach the blue eco-label issued by the MSC to the fisheries harvested, which certifies that efforts have been made during the fishing process to ensure the sustainability of target stocks and minimise impact on the environment.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

• Adhering to the direct distribution approach



- The Company has established its own lamb slaughtering and processing plant in XilinGol, and implements strict control over every aspect of the lamb production and processing procedures, achieving quality control over the entire industrial chain covering from production to consumption;
- Xiabuxiabu continues to implement the “farm-to-table” project by establishing vegetable bases and adopting direct distribution from origin sources, so as to ensure fresh and healthy ingredients.
- The TMS system has been applied to all distribution centers across the country to achieve real-time monitoring over the temperature of the freezers at each distribution center and the temperature during the transportation, so as to ensure the quality of frozen products;
- All frozen seafood and meat are stored in the cold storage warehouses with the temperature below -18°C, and all transportation vehicles owned and leased by the Company are equipped with refrigeration equipment that meet the specified standards.
- After one-year pilot implementation, the vegetable cleaning system has been implemented in some regions to ensure timely delivery of fresh ingredients to the restaurants;
- Through coordinated processes covering logistics, procurement and suppliers/central kitchen, the Company strives to improve efficiency in delivering all kinds of products to the restaurants, enabling the restaurants to maintain smooth operation without inventory of fruits and vegetable.

2.2 PROVIDING DISTINCTIVE DELICACY

Inspired by its constant passion for quality food, Xiabuxiabu makes relentless effort to prepare a wide variety of seasonings and develop delicious soup bases, with an aim to provide customers with the best hotpot cuisine. With our global procurement policy, we select premium ingredients from all over the world and make continuous efforts to make innovations and develop new dishes and new products, providing customers with diverse options for traditional or contemporary and Chinese or exotic cuisines. In addition, we continue to explore new business modes and carry out brand optimisation and upgrade, with an aim to cater to various customer demands and keep pace with the market trend.

• Wide variety of ingredients

Xiabuxiabu sources food ingredients from over ten countries including the Netherlands, Brazil, Australia and Thailand. Our procurement team sources premium ingredients worldwide, with an aim to provide customers of Xiabuxiabu restaurants with delicious food procured across the world. In 2020, the procurement team participated in the trainings on meat product knowledge organised by the U.S. Beef Association to have a better understanding of such products, and also attended the China International Import Expo held in Shanghai in search for best products from all over the world. During the reporting period, the newly-launched ingredients sourced through global procurement such as the milk-fed veal from the Netherlands, grain-fed Angus Beef from Russia, pork neck from German, black tiger shrimp from Thailand and Cyrtodaria siliqua from Canada received warm response from the customers. In addition, with the implementation of the “Xiabu × Lamb of XilinGol” strategic procurement program, we continue to provide customers with the delicious and fresh lamb of XilinGol.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

• Diversified product offerings

In 2020, Xiabuxiabu continued to optimise its existing products and stepped up efforts in developing new products, with an aim to offer customers more delicious products with higher cost performance. During the reporting period, Xiabuxiabu launched the hotpot base with rattan pepper flavour, XilinGol lamb series products, popular hot pot delicacies such as black and pink chicken slices, snakeheaded fish fillets, raw thick skirt steak and marbled pork neck, and seasonal products including new beverage products such as the sweet osmanthus rice wine, mango-orange-wolfberry winter drinks and jasmine grapefruit tea as well as other festival-specific gifts, in an effort to enrich its product mixes and create all-season product offerings.

Coucou optimised its existing seventh-edition menu by creating differentiated menus for various regions and price ranges to generate a new ninth-edition menu, and further updated its summer and winter menus. Coucou launched several popular hotpot delicacies including pork belly and chicken soup base, selected pork neck and Iberian black pork, popular dishes including litchi shrimp ball and fried soybean roll, and popular beverage including Dahongpao oat milk tea, plum wine and kinmen liquor, peach juice with beer, so as to enrich its product offerings. In developing new products, Coucou endeavours to retain the original flavour and natural elements of the ingredients, with an aim to provide customers with delicious and healthy food. Taking into account of different product elements of various regions, Coucou made great efforts to develop diverse product offerings to cater to different preference of customers in various regions.

In order to cater to various customer demands, Xiabuxiabu Delivery launched the rice noodle series products which provide three different flavours of beef rice noodle.



XilinGol lamb series products introduced by
Xiabuxiabu — lamb feast



Dreamy Fantasy series drinks introduced by Coucou

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS



New soup base introduced by Coucou —
pork belly and chicken soup base with pepper flavour



New dish introduced by Coucou —
litchi shrimp ball

• Diverse business mode

Over the twenty-two years since its establishment, Xiabuxiabu has established its own distinctive business mode of “choosing your own pot”. In 2020, inspired by its original corporate vision, Xiabuxiabu continued to make innovations to keep in pace with the market trend and carried out comprehensive brand upgrade to focus on the younger generations. Xiabuxiabu also redesigned and optimised its logo to reflect its brand upgrade. Adopting the theme colour of sunshine orange, the new logo further highlights its vigorous and vibrant brand image to appeal to the younger generations while retaining the strong recognition of its original colour. The lower part of the logo gives a vivid image of hotpot, while the upper part of the logo is featured with two vertical fan-shaped beams which represent the hot steam and appealing flavour of hotpot, reflecting Xiabuxiabu’s brand proposition of “choose your own pot”.



New logo of Xiabuxiabu

The strategy to appeal to the younger generations is not only reflected in the new logo, and is also integrated into its increasingly diverse business mode. During the reporting period, Xiabuxiabu launched the new restaurant — LIGHT-POT. In addition to its “LIGHT” business mode representing by its unique “choosing your own pot” operation approach, the decoration of the restaurants also adopts the “LIGHT” style preferred by the younger generations as the affordable luxury style featured with elegant design and bright colour creates a ritual sense to the dining experience, catering to the preference of young consumers.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS



LIGHT-POT upgraded restaurant

After four-year rapid development, the Coucou brand of Xiabuxiabu Group has developed into a large-scale mid-to-high end hotpot chain brand and has established business presence around the world. By cooperating with quality property developers, Coucou seized the development opportunities in the mid-to-high end catering market and made continuous efforts to explore markets with growth potential, so as to improve brand value and gain attention of commercial property developers. Leveraging on its rapid development momentum, Coucou has currently expanded its business presence into the Hong Kong market and plans to tap into the overseas markets in 2021, with an aim to achieve its international strategy. In 2020, under a challenging environment, Coucou continued to register rapid expansion. Following the success of theme restaurant mode such as Shanghai Youth Coucou and Coucou 2049, Beijing Coucou Bar, Beijing Art Coucou and the new theme restaurant in Shanghai Disneyland were opened, with an aim to establish a young brand image to appeal to the younger generations and demonstrate its brand concept of “surprise, experience, fun and love”.

In addition to dine-in business, we also have the quality delivery brand — Xiabuxiabu Delivery, which consists of Xiabu Hotpot, Xiazhuxiatang and Tea Mi Tea delivery businesses, catering to the customers’ multiple scenario dining demands through integrated online and offline services. Xiabuxiabu Delivery recorded a revenue of over RMB360 million in 2020, representing an increase of 28.6% as compared to that of 2019, and received over 40,000 orders for a single day, hitting a new high of take-out orders for a single day. Xiabuxiabu Delivery completed brand upgrade for Xiazhuxiatang during the year, and proactively expanded its new group meal business in the second half of the year, registering a revenue of over RMB5.2 million.



Brand upgrade of Xiazhuxiatang

Group meals introduced by
Xiabuxiabu Delivery

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

2.3 EXCELLENT DINING EXPERIENCE

In order to provide customers with comfortable and excellent dining experience, Xiabuxiabu makes relentless efforts to refine its services for better service quality, and collects customer feedbacks through various channels which are used as basis for further improvement of service experience. We comply with the *Food Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *Advertisement Law of the People's Republic of China* and other laws and regulations, and carry out advertisement and publicity that gives true and fair representation of our business. In addition, we take various measures to protect the privacy of the members and take-out service customers, so as to avoid any trouble caused to the customers due to divulgence of their private data.

• Improvement of customer experience

REFINE SERVICES

- **Upgrading electronic invoicing system:** In order to make it convenient for the customers to obtain electronic invoices, we upgraded the electronic invoicing system. The upgraded system supports various tax rates and generates one single invoice that contains multiple tax rates. Customers can obtain electronic invoices via the payment QR code or Tableside Payment App (桌邊付).
- **Upgrading and optimising take-out packaging:** Xiabuxiabu Delivery upgraded the design of take-out packaging bags by replacing the plastic bags with non-woven fabric bags to reduce the use of plastic products, and adding the sealing tape to the packaging bags to ensure food safety.
- **Upgrading restaurant services:** Being committed to providing customers with considerate, attentive and friendly Taiwanese-style services, Xiabuxiabu requires its restaurant staff to carefully observe customer needs without unnecessarily interrupting their leisure during dining experience. In doing so, Coucou restaurants adopted a series of measures to provide customers with considerate services during the reporting period, including providing customers with hair bands, mobile phone holders, charging cable and other items for free, providing children meals for customers with kids and providing special cold drinks and desserts for privilege members.

CUSTOMER FEEDBACKS AND DEMANDS

- **Strengthening service review:** During the reporting period, Coucou set up a dedicated operation management center which is responsible for carrying out in-depth review on all operation indicators including customer satisfaction, organising study on regulatory documents, and conducting self-examination and self-inspection by internal auditor on the self-inspection day and random inspection by external auditor in the sampling inspection month, so as to ensure service quality. In addition, we keep abreast of market conditions through analysis and review on data from dianping.com, delivery service platforms, CRM customer satisfaction survey and 400 call center, and make timely adjustments to our key operation services.
- **Regulate handling of customer complaints:** Xiabuxiabu makes serious efforts to handle customer complaints. Upon receiving any customer complaint, the restaurants and operation department are required to verify site conditions and contact the customers in no time and report such complaint promptly. In order to enhance efficiency in addressing customer complaints, the restaurants in different markets have tried various solutions, such as setting up a dedicated group to handle customer complaints, holding meetings every week to share service cases, collecting information on customer complaint cases as training materials, etc.. During the reporting period, customer complaint settlement rate of Xiabuxiabu restaurants and Coucou restaurants reached 100%.

DISTINCTIVE BUSINESS MODE — HIGH QUALITY DERIVES FROM PERSISTENT EFFORTS

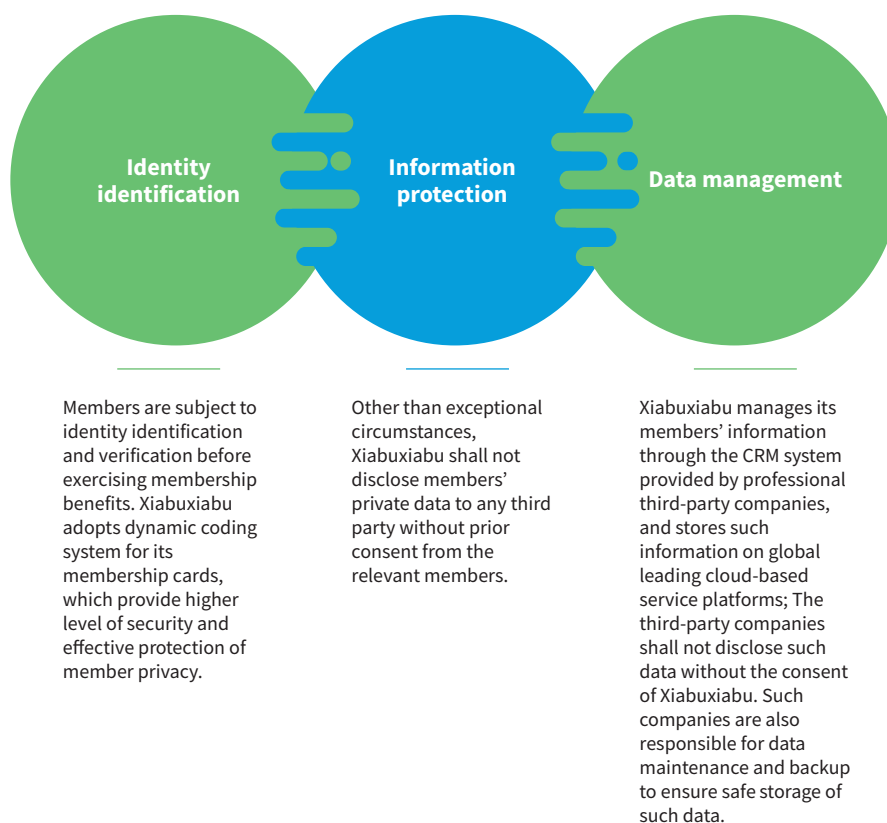
- **Quantitative review management:** We implement quantitative management for the positive review score of the CRM system of each restaurant and the star rating on dianping.com, which are included into the performance assessment of each restaurant. By establishing relevant incentive systems, we motivate the restaurants to focus on customer satisfaction and pay close attention to customer feedbacks during business operation.

• Protection of basic rights and interests

RATIONAL ADVERTISEMENT AND PUBLICITY

Xiabuxiabu carries out advertisement and publicity campaigns in strict compliance with the *Advertisement Law of the People's Republic of China* and other laws and regulations, and prohibits exaggeration and false advertising. In accordance with our internal regulation, all advertisement, menu, news release and other materials shall be reviewed by legal department, quality control department and other professional departments before releasing to the public, so as to ensure their truthfulness and objectivity.

PROTECTION OF CONSUMER PRIVACY



As for customers of the delivery business, Xiabuxiabu cooperates with delivery service platforms to protect customer privacy by assigning a virtual telephone number for each customer in the delivery order which is only effective for 24 hours and becomes invalid after the stipulated period of time, so as to avoid the risk of private data leakage due to improper handling of orders.

3 GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION



GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION

Xiabuxiabu strictly complies with the *Environmental Protection Law of the People's Republic of China*, the *Law on Prevention and Control of Environmental Pollution by Solid Waste* and other laws and regulations, and is committed to promoting environmentally-friendly operation. The Company attaches great emphasis to resource conservation, and incorporates the concept of green operation into every aspect including production, office and restaurant operation. With emphasis on waste management and in response to the government's policy, the Company proactively implements waste sort-out practice and restriction on the use of plastic products, and takes measures to reduce waste generated from its operation, with an aim to promote harmonious development of the Company and the environment. In 2020, the Company was not involved in any litigation or corresponding penalty due to violation of environmental laws and regulations.

3.1 OPTIMISATION OF RESOURCE USE

Adhering to its principle of low-carbon operation, Xiabuxiabu attaches great emphasis to energy and resource management. The Company has set up an energy management group backed in 2014 with its members coming from various departments including public affairs department, operation department and logistics department, which has been coordinating and promoting the energy conservation management of the Company for the past years. During the reporting period, the energy management group organised the preparation of the annual report on energy utilisation of the Company, which was used as an important basis for future optimisation of energy mix and enhancement of refined energy management by the Company.

Xiabuxiabu's GHG emission mainly comes from operation, production and office administration, in which various types of energy such as gasoline, diesel, natural gas and power are consumed. During the reporting period, the data of emissions and resources used are summarised as below:

Indicators	Unit	2020
Total electricity consumption	kWh	165,925,711.73
Electricity consumption per unit of operating revenue	kWh/RMB million	30,417.18
Gasoline consumption	litre	31,300.09
Gasoline consumption per unit of operating revenue	litre/RMB million	5.74
Municipal water consumption	m ³	2,204,374.00
Municipal water consumption per unit of operating revenue	m ³ /RMB million	404.10
Catering sewage discharge	m ³	1,873,717.90
Catering sewage discharge per unit of operating revenue	m ³ /RMB million	343.49
Natural gas consumption	m ³	941,102.64
Natural gas consumption per unit of operating revenue	m ³ /RMB million	172.52
Scope 1: direct GHG emission	tCO ₂ e	2,127.88
Scope 2: indirect GHG emission	tCO ₂ e	109,504.22
Total GHG emission	tCO ₂ e	111,632.10
GHG emission per unit of operating revenue	tCO ₂ e/RMB million	20.46

Notes:

1. The calculation of GHG emission refers to the *Greenhouse Gas Protocol: a corporate accounting and reporting standard* issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the *Fifth Assessment Report* issued by the Intergovernmental Panel on Climate Change (IPCC). The grid emission factor used in the calculation of Scope 2 refers to the latest *China's regional grid emission factors (2019)* released by the Department of Climate Change under the Ministry of Ecology and Environment of the People's Republic of China;
2. The calculation of catering sewage discharge refers to *The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook*;
3. The basic energy consumption data shown in the above table cover the data of Xiabuxiabu Restaurant Management Co., Ltd., Xiabuxiabu Restaurant Management (Shanghai) Co., Ltd., Xiabuxiabu Restaurant Management (Tianjin) Co., Ltd., Coucou Restaurant Management Co., Ltd. and Coucou (Tianjin) Restaurant Management Co., Ltd..

GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION

• Energy Conservation



Headoffice

- Measures have been taken to control room temperature, and staff are required to switch off power when leaving for a longer period of time or leaving duty to ensure that lamps and equipment are turned off when leaving the office, so as to minimise electricity consumption;
- High-pressure sodium lamps have been replaced with LED lamps for lighting system.



Factories

- Efforts have been made to ensure that lamps and equipment are turned off immediately after use, so as to avoid electricity wastage due to idle-running;
- We achieved separation of the low nitrogen combustion system for boilers, reducing consumption of natural gas by approximately 2,500 cubic meters per month;
- Solar water heaters have been installed in staff dormitory, achieving zero energy consumption for hot water supply during April to September 2020;
- The Company reduced water, electricity and gas consumption by 16% in 2020, which beat the energy-saving target for the year of year-on-year reduction of 10%.



Restaurants

- Measures have been taken to control the temperature of air-conditioners in all restaurants, so as to ensure a room temperature of no lower than 26°C in summer;
- Arrangement has been made to increase customer concentration during the off-peak hours, with an aim to minimise the use of lighting and air conditioners for the purpose of energy conservation;
- Service staff are required to adjust the temperature of the induction cookers based on cooking needs during the dining process, and switch off power once the customers finish their meals, so as to avoid idle-running of the cookers;
- Staff are required to defrost the refrigerators and freezers on a regular basis to reduce unnecessary power consumption;
- The filters of the air conditioners and the cooling fins of their outdoor units have been cleaned on a regular basis to ensure efficient operation of the ventilation and air conditioning system, which contributed to a reduction of approximately 9% in power consumption;
- Measures have been taken to improve the performance of doors, windows and walls in heat preservation. We replaced the ordinary single-layer glazing of doors and windows with hollow glazing, covered walls with rock wool boards and requested the manufacturers to affix the doors and windows with sealing strips, which helped to improve heat preservation performance and reduce energy consumption by approximately 60%;
- Preliminary testing on the intelligent remote monitoring system has been completed with remarkable energy-saving results. The Company plans to go on with the testing in 2021 to collect more data for review;
- The Company will conduct testing on the energy recovery system of the air conditioners in 2021, and will continue to make adjustments based on its performance;
- Assessment was conducted on the air conditioners based on the useful lives and energy consumption, and professional personnel have been engaged to gradually replace the air conditioners with inverter air conditioners;
- The 1,500W induction cookers currently used in the restaurants have been gradually replaced with 1,200W induction cookers;
- The Company has replaced the lighting system with LED lamps. To the extent that sufficient lighting is provided, all 6-watt lighting lamps have been replaced with 5-watt lighting lamps, achieving a power saving rate of approximately 16%.

• Water conservation

Xiabuxiabu attaches great emphasis to water resource conservation, and implements water-saving policies and promotes water recycling in the headoffice, plants and all restaurants. The plumbing and drainage system is properly designed when decorating new restaurants, and new devices such as water-saving taps and water-saving sanitary fittings have been installed. In addition, we enhance management and maintenance of these equipment in daily utilisation, so as to prevent water spraying, dripping and leaking, with an aim to reduce water resource consumption.

We focus on the kitchens for water conservation. In order to reduce water consumption by the kitchens, Coucou restaurants have established standard process for dish washing and vegetable cleaning, and clearly defined the respective usages of wash sinks, flush sinks and cleaning sinks, so as to enhance the efficient utilisation of water resource. Furthermore, we increase the utilisation rate of sensor faucet and pedal faucet when upgrading these devices, so as to reduce water wastage.

GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION

- **Saving materials**

Implement electronic office: Xiabuxiabu promotes online marketing and communication, adopts electronic advertising and publicity approaches, uses electronic coupons instead of traditional paper coupons and replaces traditional printed advertising and promotion materials with LED restaurant posters, so as to reduce paper consumption. During the reporting period, the Company introduced the OMC operation management system which supports daily site inspection and quality inspection of each restaurant to replace paper duty record manual, significantly reducing the paper documents generated during the course of site inspection and quality inspection, so as to reduce paper consumption.

Reduce the use of disposable products: We continue to promote the use of reusable containers and incubators, so as to reduce the usage of paper cartons and polyurethane foam cartons. During the reporting period, Coucou restaurants in Northern China Division implemented reuse of garbage bags without compromising health and hygiene, leading to a reduction of over 800 used garbage bags in aggregate for the year.

During the reporting period, the main packaging materials used by the Company included carton boxes, paper cups, plastic cups, PP bags, packing bags, straws, coiled materials for seasonings, soup base bags and composite bags. The total usage of the above-mentioned packaging materials were 4,344.41 tonnes, representing the consumption of packaging materials per RMB million operating revenue of 0.80 tonne.

- **Green construction**

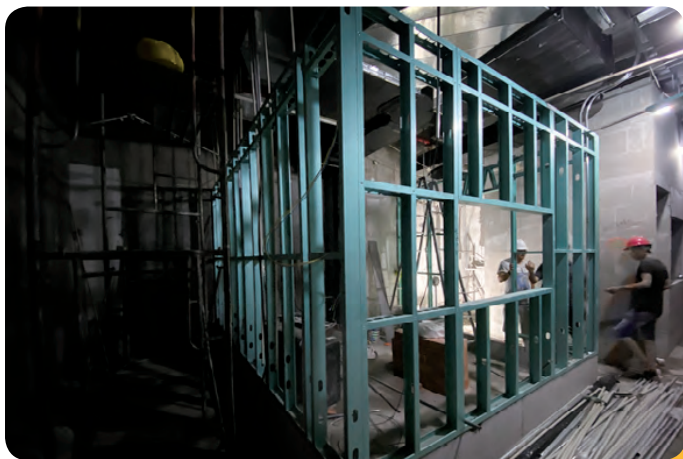
Promote and implement green construction concept: We place great emphasis on construction standard and construction quality, and cooperate with decoration and construction companies with regulated operation and sophisticated technology. Trainings on construction techniques and relevant knowledge on energy conservation and consumption reduction were given by project engineers to the construction workers, and measures have been implemented to achieve energy conservation and consumption reduction.

Reduce construction wastes: Budget for building materials is carefully prepared to avoid construction wastes due to left-over construction materials. Construction technologies have been optimised by applying the prefabrication approach instead of field fabrication and using green building materials, etc., so as to reduce construction wastes generated from the construction sites. We implement on-site supervision and carry out acceptance inspection for each construction process, with an aim to avoid construction wastes generated as a result of do-overs and other causes.

- **Case: Use of recyclable metal composite wall panels**

In decorating the kitchens of the restaurants, building blocks, cement, sand and ceramic tiles were usually used to build the walls. In 2020, Coucou optimised the construction technologies by replacing the existing masonry walls with recyclable metal composite wall panels. The bearing framework and shingles of the composite wall panels are all made of recyclable metal materials which can be recycled for reuse after being demolished, effectively reducing construction wastes generated.

GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION



Bearing framework of composite wall panels



After completion of assembly of composite wall panels

3.2 CONTROL OF EMISSIONS

Xiabuxiabu manages emission and waste discharge in accordance with the *Regulations on the Management of Domestic Waste in Beijing* and other relevant laws and regulations of the PRC, implements on-going supervision on the emissions and adjusts its work priority in a flexible manner. During the reporting period, by focusing on waste sort-out, replacement of disposable plastic products as well as wastewater discharge and exhaust emissions, the Company strived to reduce the production of wastes, increase the recycling rate of wastes, and ensure that wastewater discharge and exhaust emission meet the specified standards.

Waste sort-out and management

With its in-house *Management System for Kitchen Waste* (《餐廳垃圾管理制度》), Xiabuxiabu requires all restaurant staff to receive relevant trainings and master the knowledge on waste sort-out, and strictly implements the waste sort-out policy as required by the local government of the places where it operates. In the event that no waste sort-out policy has been introduced in the places where it operates, the restaurants implement waste sort-out and management in accordance with the in-house requirements of Xiabuxiabu.

As a catering enterprise, Xiabuxiabu always considers the treatment of kitchen wastes as its priority task in terms of waste management. During the reporting period, in addition to the implementation of the “Clean Your Plate” campaign to remind the customers to order what they can take, Coucou restaurants in Northern China Division also required kitchen staff to maintain a daily record of ingredient wastes, enabling the restaurants to find out reasons for such wastage and make ratification. Meanwhile, kitchen staff are subject to trainings and assessment to improve the overall operation standard of the kitchens, with an aim to effectively reduce kitchen wastes through enhancement of kitchen management. The non-hazardous waste of Xiabuxiabu mainly derives from domestic waste generated by dining halls and kitchen waste generated by kitchens of the restaurants. During the reporting period, Xiabuxiabu restaurants and Coucou restaurants in different regions produced approximately 42,100 tonnes⁴ of domestic waste and kitchen waste in total.

⁴ With the continuous improvement of the kitchen wastes statistics mechanism of Coucou restaurants, the kitchen wastes generated by Coucou restaurants were included in the calculation of total kitchen wastes since 2020, leading to an increase in the aggregate amount as compared with those of the previous years.

GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION

Case: Active compliance with the waste sort-out policy of Beijing City

Following the implementation of the revised *Regulations on the Management of Domestic Waste in Beijing* on 1 May 2020, Xiabuxiabu made active response to the government initiatives, and carried out preparation work with reference to the four categories of wastes namely “kitchen wastes”, “recyclable items”, “other wastes” and “hazardous wastes” before these regulations were put into effect, including replacing the garbage bins, making waste sort-out labels and guideline, revising the waste sort-out system, organising relevant trainings for all restaurant staff, etc.

In order to increase the recycling rate of kitchen wastes, Xiabuxiabu also maintains the dedicated Waste Sort-out and Management Ledger (《垃圾分类管理台账》), allowing traceability management of kitchen wastes. In addition, we take measures to remind the customers to order what they can take to avoid wastage, so as to reduce kitchen wastes from the source.



Moreover, as the original waste treatment service provider was not able to meet the recycling demands of the central kitchen, Xiabuxiabu replaced its waste treatment service provider for the central kitchen during the reporting period. After the replacement of such service provider, the recycling rate of non-hazardous wastes of the central kitchen reached 100%.

GREEN OPERATION — PROMOTION OF LOW-CARBON EMISSION

• Replacement of disposable plastic products

On 19 January 2020, under the *Opinions on Further Strengthening the Control of Plastic Pollution* (《關於進一步加強塑料污染治理的意見》), non-degradable plastic bags, disposable plastic tableware and plastic delivery packaging materials are included in the plastic products that are prohibited or restricted for use, with an aim to reduce environmental pollution caused by plastic products. In response to the government's policy, Xiabuxiabu promptly prohibited the use of disposable plastic products such as plastic cups, plastic straws and plastic bags, replaced the cap lids and drinking straws with paper products, and upgraded plastic bags to environmentally-friendly degradable materials. It is estimated that, through these measures, Xiabuxiabu reduced plastic wastes by approximately 273.8 tonnes in 2020.



Xiabuxiabu replaced the plastic cups, plastic straws and plastic bags with environmentally-friendly degradable materials

• Wastewater and exhaust management

During the reporting period, the central kitchen upgraded the wastewater and exhaust treatment facilities of the old factory, replaced the sewage pipes and installed new fume purifiers. In order to ensure that the quality of wastewater and exhaust discharged meet the specified standards, Xiabuxiabu entered into the wastewater and exhaust emission monitoring contract with agencies providing environment monitoring technology services to conduct regular monitoring over the wastewater and exhaust discharged. Currently, the rate of meeting the discharge standards of the wastewater and exhaust generated by the factory of the central kitchen are far higher than the national standards.

4

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT



KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

Xiabuxiabu upholds the people-oriented principle, and is committed to promoting mutual development of the employees and the Company. We takes various measures to safeguard the basic rights and interests as well as the physical and mental wellbeing of the employees, promote democratic management among the employees, and establish sound recruitment, training and promotion mechanism to facilitate career development of the employees and motivate them to realise their self-worth. In addition to caring for our employees, we also devote ourselves to community engagement and proactively participate in social welfare activities. We are committed to giving back to the society, and proactively organise public welfare charity activities, extending support to people in need.

4.1 PROTECTING RIGHTS AND INTERESTS OF THE EMPLOYEES

We consider our employees the most valuable assets of the Company as well as the driver and beneficiary of the continuous growth of the Company, and believe that the quality and enthusiasm of the employees are fundamental to the reform and development of the Company. We strictly abide by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, *Provisions on Prohibition of Child Labour* and other relevant laws and regulations, promote balanced development of in-house and external talents, attract more international talents, ensure fair and compliant recruitment, and safeguard the rights and interests of all staff. In addition, we have established a sound human resources management mechanism to offer opportunities for in-house talents to realise their potential, and align the realisation of self-value of individual employee with the development of the Company by offering employees with a smooth and transparent career development path and an equal and standard remuneration and benefit system, motivating the employees to grow together with the Company. During the reporting period, the Company was not involved in any law suit relating to child labour or forced labour.

• Fair and compliant employment

Upholding the concept of “building a talent echelon, ensuring strategic talent reserve, focusing on frontline staff and streamlining middle and back office team” and adhering to the principles of “fairness, openness and equality” in recruitment, Xiabuxiabu improves employee recruitment system, devises clear recruitment process, has zero tolerance towards any form of discrimination on grounds of age, gender, geographical region, religion and other factors and prohibits the use of forced and child labour, with an aim to realise fair and compliant employment.

Recruitment policy

Prohibition of child and forced labour

- The Company takes serious measures to verify the actual age of any job applicant during the interview, while the E-HR system prohibits any entry of employee under the age of eighteen, thus eliminating the possibility of use of child labour from the source;
- The Company conducts appraisal on restaurant staff from time to time, and links the employment risk with the performance of each restaurant. So far, all the employees recruited are above the age of eighteen, and we are not aware of any use of forced labour.

Equal employment and promotion

- The Company has established promotion systems and provides incentives to encourage in-house competition, offering outstanding in-house employees equal opportunities for job competition;
- The Company allocates more resources to frontline positions, and continues to streamline or freeze middle and back office positions. The Company adopts the in-house competition approach to select candidate for operation manager of Xiabuxiabu brand business unit, so as to optimise human resource allocation and enhance work efficiency.

Diversity employment

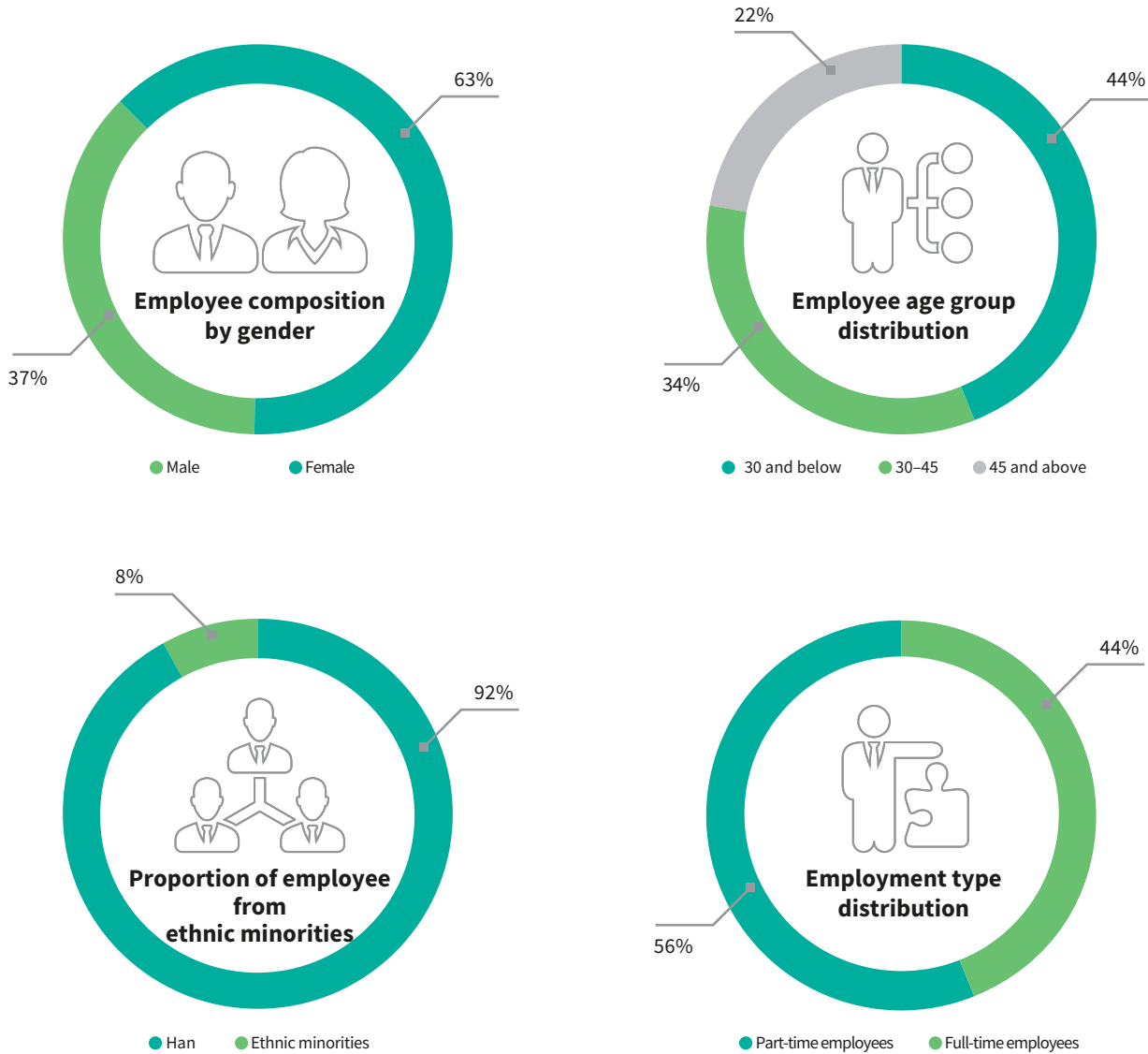
- In order to enhance the core competitiveness of the Company, Xiabuxiabu recognises the concept of diversity employment, prohibits any discrimination on ground of age, gender, geographical region, religion or other factors, and enhances brand marketing and introduction of talents for business development, laying a solid foundation for the sustainable development of its business.

Online recruitment

- The Company strictly implemented the pandemic prevention policy issued by the government, and reduced the number of onsite recruitments by conducting online recruitment via the Internet. The Company organised offline recruitment after the pandemic was brought under control. So far, the Company recorded an accumulative audience of about 39,200 persons for online recruitment via the livestreaming platform of the APP Dianzhangzhiping (店长直聘), received 900 resumes and accumulatively communicated with 230 candidates via the Internet.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

During the reporting period, Xiabuxiabu adhered to the equal employment principle and made continuous efforts to optimise staff structure. As at the end of the reporting period, Xiabuxiabu had a total of 31,371 employees. An analysis of employee distribution is as follows:



KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

• Remuneration and benefits

We always believe that employees are essential to the development of the Company and that our future success lies on our capability to develop rational regulations on employee remuneration, provide employees with ample material basis and address their financial concerns. Therefore, following the principle of “giving priority to efficiency while taking fairness into consideration”, we established a unified remuneration system, and formulated the internal salary distribution system and form of distribution by law based on post value and individual performance with rational income gap. On one hand, the Company improves existing employees’ remuneration level in light of its actual profitability, and on the other hand, provides monthly bonus, quarterly bonus and annual bonus according to their respective positions and job category. Taking into account the three remuneration elements including post, performance and capability, and by combining short-term with long-term incentives, the Company implements a flexible and rational remuneration system which helps not only to motivate employees’ working initiatives but also drive growth in profitability of the Company, creating a win-win situation for the Company and its employees. Meanwhile, the Company implements labour budget management to analyse employees’ income every year, which links total salary with enterprise profitability. The Company also delivers pay rise in an active and prudent manner by developing annual salary increase scheme and adjusting salary policy, so as to improve employees’ remuneration and benefits.

Working hours and rest periods	<ul style="list-style-type: none"> comply with the working hour requirement under the <i>Labour Law of the People’s Republic of China</i>; guarantee employees’ entitlement to national statutory holidays, marriage leave, funeral leave, home leave, maternity leave, family planning leave and paid annual leave.
Five Social Insurances and One Housing Provident Fund	<ul style="list-style-type: none"> provide its employees with five social insurances including endowment insurance, employment injury insurance, maternity insurance, unemployment insurance, medical insurance and the Housing Provident Fund; purchase employer liability insurance for employees of all restaurants nationwide.
Allowances for employees	<ul style="list-style-type: none"> provide free working lunch or meal allowances for all employees; provide transportation, telephone and travel allowances for employees at posts with particular needs.

Case: Conduct market salary survey and optimise incentive policy

In 2020, we cooperated with an authoritative survey agency to conduct market salary survey to have an understanding of the salary level of the industry. We made adjustments to the overall remuneration package for the year with reference to the operating results of the Company and the performance of individual staff, with an aim to ensure internal fairness and external competitiveness. We also optimised the performance appraisal system and linked individual performance with team performance to a certain degree, so as to align the objectives of the employees and the Company, with an aim to achieve the established performance target for the year.

During the pandemic, in accordance with the relevant regulations implemented by the government, we purchased employer liability insurance for all employees, social insurance for full-time employees and supplemental medical insurance for employees at the management level or above. We also adjusted several long-term and short-term incentive systems, with an aim to increase employee income, maintain effective incentive policies and provide employees with an ample livelihood while striving to accomplish the established target of the Company. In 2020, despite the material adverse impact on our operating results brought by the pandemic, the timely adjustments to the incentive policies helped to motivate the employees to pursue for future development and also kept the labour cost of the Company at a manageable level, demonstrating our commitment to safeguarding the interests of the workforce, retaining talents and promoting mutual development of the Company and individual staff, so as to navigate through these difficult times.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

• Appraisal and promotion

Xiabuxiabu provides a fair, just and open environment for employees' career development, attaches great importance to employees' appraisal and long-term incentives, pays attention to the cultivation of reserve talents, and offers employees promising career development path. In 2020, the Company continued to conduct talent review and made significant progress in talents identification, talents development and talents retention. Attaching great emphasis to employee performance management and incentives, we implement monthly appraisal, quarterly appraisal, annual appraisal and special appraisal for performance appraisal, and regularly track and analyse the employees' accomplishment of performance targets. In the examination and appraisal, we focus on appraising both employees' professional competence and their behaviours. We dismiss unqualified employees every year, and promote those with outstanding performance, ability and integrity. In addition, the Company has introduced the in-house competition policy and prioritise promotion opportunities for in-house employees, with an aim to promote talent mobility and offer employees with diverse development opportunities.

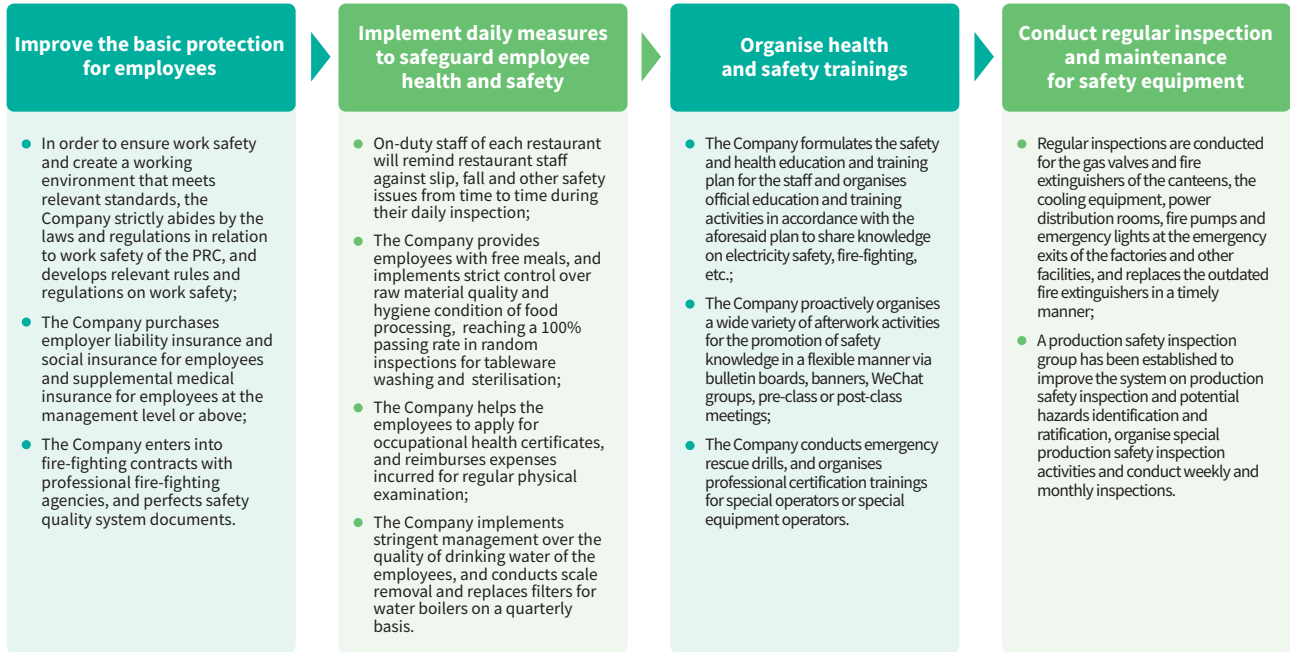
4.2 ENHANCING EMPLOYEES' SENSE OF HAPPINESS

Upholding the employee-oriented principle, Xiabuxiabu always gives priority to the physical and mental wellbeing and safety of the employees, and is committed to building a safe and comfortable working environment for the employees, in an effort to create a positive and harmonious working atmosphere. In addition, the Company has established sound systems to safeguard the rights and interests of the employees and taken various measures to deliver love and care to the employees, with an aim to enhance the employees' sense of happiness and sense of identity with the Company.

• Focusing on employee safety and health

Xiabuxiabu strictly complies with the *Fire Prevention Law of the People's Republic of China*, the *Safety Law of the People's Republic of China*, the *Measures for the Administration of Contingency Plans for Work Safety Incidents*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Special Equipment Safety Law of the People's Republic of China*, the *Regulations on the Safety Management of Hazardous Chemicals* and other laws and regulations, carries out establishment and maintenance of safety facilities on a regular basis in accordance with the national standards, and formulates a number of measures to protect the health and safety of the employees, so as to safeguard their basic interests. During the reporting period, the Company was not aware of any serious work safety accident or safety issue due to negligence in safety inspections, and the Company was certified as Level Three Enterprise for Standardisation of Production Safety by a third-party agency.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT



KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

Case: Fire safety improvement project of the dormitory building of the old factory

As the old factory of the Company was built long time ago, it has only one emergency exit, making it in breach of the prevailing code on fire protection design for buildings which provides that a building shall have at least two emergency exits to provide different evacuation routes. In September 2020, in order to comply with the fire safety evacuation requirements and avoid personnel injury and casualty or other severe consequences due to untimely evacuation upon occurrence of fire incidents, the Company took proactive initiatives to identify potential fire hazards and implement ratification measures, and completed the installation of outdoor fire evacuation stairs for the dormitory building of the old factory, in an effort to safeguard the health and safety of the staff.



• Work and life balance

Xiabuxiabu makes great efforts to enable employees to enjoy their work, pays close attention to the employees' expectation and takes various measures to deliver love and care to the employees. In 2020, upholding the human resources management concept of "work together and share together" and in appreciation to the employees for their support for the Company to navigate through the hard times, while providing job opportunities and basic livelihood protection for the employees, we also organised a wide range of activities through online and offline channels in accordance with the pandemic prevention and control requirements of the government, with an aim to improve mutual understanding among the employees, create a progressive and positive team atmosphere, enhance team cohesion and the employees' sense of belonging, reinforce their commitment to their work and motivate the team to strive towards a greater long-term goal.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

Organise employee activities	<ul style="list-style-type: none"> ➤ All restaurants organised the democratic life meeting every month, which provided an opportunity for employees to communicate with each other and held a birthday party for all employees who were born in the same month, so as to build stronger relationship among the employees and strengthen their loyalty towards the restaurants; ➤ The Company held live broadcast of its year-end banquet, at which the senior management and the staff got together to have a good time and the Company offered awards to outstanding teams and individuals for their excellent performance and motivated them to achieve the business goal for 2020; ➤ The Company organised a study tour to Inner Mongolia for the young talent team, offering them an opportunity to witness the ingredient processing procedures and have the first-hand experience of our motto for success that “High quality derives from persistent efforts”, which allowed them to gain the first-hand experience of our vision to be the global leader in the get-together and catering industry; ➤ The Company organised a series of hiking activities under the theme of “Stay committed to original inspiration to create a better future”, offering the employees an opportunity to get out of the office and experience the nature, so as to relax both physically and mentally, motivate their enthusiasm and potential, and strengthen their loyalty and cohesion; ➤ The Company organised the Best Coucou Employees (最美凑凑人) campaign to discover and demonstrate the outstanding quality of our colleagues such as dedication, commitment and cordial services, and the award-winning employees have been appointed as the culture ambassadors of the Company to promote study of our corporate culture.
Offer greetings and blessing	<ul style="list-style-type: none"> ➤ The Company offered employees with special benefits and consolation money for their wedding and funeral of their families; ➤ The Company offered special benefits for the employees during the hot summer; ➤ The Company offered blessing and gifts for employees on traditional festivals and special days such as the Women’s Day, Xiabu 520, employee birthdays, etc.
Create a comfortable environment	<ul style="list-style-type: none"> ➤ The Company carried out upgrade, maintenance and renovation of the relevant work equipment as well as air conditioners, domestic water heaters and other dormitory facilities on a regular basis, and implemented strict management over staff quarters within the plants, in an effort to meet the accommodation needs of the staff and keep the dormitory clean; ➤ The Company replaced the green plants in the office from time to time, and carried out decoration for various festivals to create a festive atmosphere, enabling our staff to keep a pleasant and relaxing mood in their busy work; ➤ The Company offered the employees opportunities to participate in the work and life management of the Company, and encouraged the implementation of democratic management, with an aim to enhance employees’ sense of participation and strengthen team cohesion.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT



Employee hiking activity in Inner Mongolia



"Best Coucou Employees" theme event

4.3 PROMOTING EMPLOYEE DEVELOPMENT

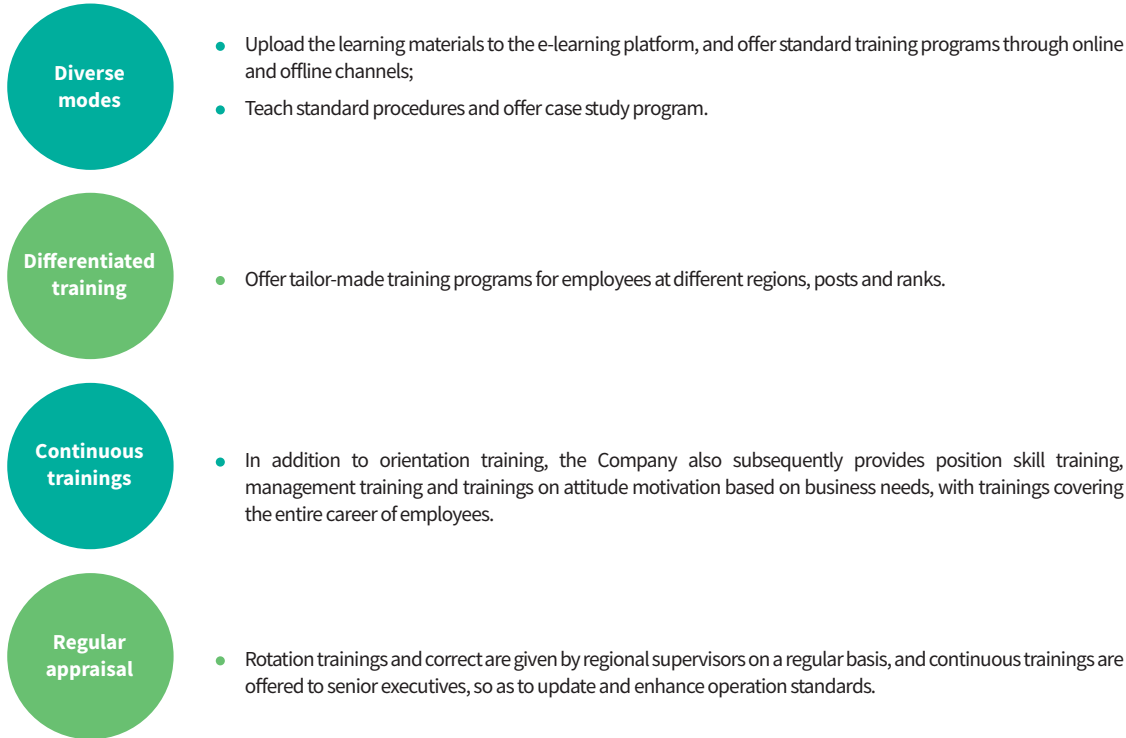
Vocational skills of our employees determine the development and transformation of the Company in the future. Therefore, we are committed to promoting mutual development of the employees and the Company. By proactively improving our training system, building learning platforms and diversifying the types of training programs, we endeavour to offer our employees diversified learning resources and convenient learning channels, facilitate the development of in-house talents, and cultivate highly competent professional talents to enhance our core competencies, providing opportunities for our employees to realise self-value and also create value for the Company.

• Improve training system

Xiabuxiabu places great emphasis on staff cultivation. The Company offers employees diverse learning channels suitable for different stages of career development and continuously innovates tailor-made learning content, with an aim to strengthen their vocational and management skills, improve work efficiency and push forward the improvement and optimization of key talent cultivation mechanism, so as to strengthen employee capability in a targeted manner, drive the growth of the Company and fill in competency gaps.

During the pandemic, although the operation of our restaurants were suspended, we continued to implement our training programs. We proactively organised trainings through the combination of online and offline channels, so as to increase the employees' knowledge reserve on corporate culture, professional skills and pandemic prevention and control. We have established a three-tier management training program consisting of bronze, silver and gold training courses. We created the OMO training programs through learning platforms, launched relevant courses, assigned learning tasks by the headoffice, and tracked the progress of and feedbacks on the training program on a regular basis.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT



During the reporting period, Xiabuxiabu and Coucou organised different training programs targeted for various employees based on the operation characteristics of various businesses, so as to constantly improve the professional skills of the employees.

Xiabuxiabu

- Unified nationwide operation standards were implemented to keep consistent services of the chain restaurants;
- Unified implementation of operation standards was ensured by various function departments within the Company to keep the operation standards consistent and accurate;
- Continuous efforts have been made to optimise and update course program on restaurant management, with an aim to facilitate talent training for restaurant operation;
- Xiabuxiabu organised various activities for employees at all levels to strengthen corporate cohesion;
- Xiabuxiabu organised various competitions for employees at all levels, with an aim to improve their skill standard by training through competitions;
- Xiabuxiabu has developed brand new study manuals and system manuals for management personnel, so as to help the restaurant management to master more professional knowledge;
- Xiabuxiabu has established the online training academy and produced multimedia video courses, providing more intuitive video training.



Coucou

- Completion of the establishment, development and promotion of the full-range courses: based on the orientation training for new employees, trainer program, and junior and middle management training courses, Coucou provided additional 16 training courses including senior training courses for restaurant managers, training courses for regional managers, training series on equipment maintenance, intensive training camps for restaurant managers and premium 5S management courses, with an aim to lay a solid foundation for restaurant operation;
- Research and development of the 5S management: Coucou independently researched, developed and promoted the concept of 5S restaurant management, covering from training and promotion to inspection and supervision, so as to improve the 5S management of the restaurants;
- Improvement of management manuals: Coucou has completed the compilation of restaurant food safety manual, 5S management manual, equipment maintenance manual and crisis management manual, establishing a holistic and systematic training model for colleagues of the operation department.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

In 2020, the information on trainings provided by the Company are set out below. In particular, the Company gave full paly to the online training platform “Xiabu Academy” during the reporting period, and organised 30 online trainings via the platform, which were accumulatively attended by 84,079 individuals, with a total of 71,748 training hours.

Dimension	Professional	Management	New employees	Total
Total number of employee training sessions	61	38	1,749	1,848
Total number of employees trained (accumulatively speaking) ¹	4,384	84,409	1,984	90,777
Total training hours ²	31,728	44,310	4,583	80,622

Notes:

1. Cumulative number, as one employee may have attended several training sessions.
2. In 2020, due to the impact of the pandemic and the commencement of operation of “Xiabu Academy”, the majority of the courses were conducted in the form of online training, thus the number of online training participants increased significantly as compared with offline training participants, leading to a substantial increase in the training data as compared with that of 2019.

Case: Establishing *Xiabu Operation Academy* learning platform

The Company has established *Xiabu Operation Academy* (呷哺營運學院), a dedicated learning platform for our operation staff, in order to provide a convenient and efficient learning platform and create good learning conditions for our employees, enabling them to grow together with the Company. *Xiabu Operation Academy* offers 264 online courses, which are all independently developed by the Company, attracting more than 1.15 million visits, receiving over 40,000 likes and over 16,000 comments and generating over 470,000 learning records. Due to its close relation to our business and its interesting content, these independently developed courses have attracted a great number of trainees to use their spare time to study, greatly improving our employees’ willingness for autonomous learning and making the autonomous learning data account for more than 70% of the learning data on the platform. *Xiabu Operation Academy* was granted the Excellent *Teaching Design Prize* of the BOOAO Awards 2020 organised by www.online-edu and the *Organizational Performance Facilitator Prize* of the Cloud Atlas Award 2020 organised by CEIBS Business Review. It was also reported as an excellent case in the August 2020 issue of the *Training Magazine* in China.



KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT

Case: Launching the second season of *Case Study* program

To offer more targeted and useful training programs, Xiabuxiabu has produced the program of *Case Study* (案例學院). As there are many scenarios in the actual operations and management process which cannot be dealt with using one single standard procedure, the management personnel are required to have extensive relevant experiences and deep insight into this kind of matters, which cannot be addressed through conventional training.

To deal with this problem, we developed the training content of the *Case Study* program based on cases actually happened within the Company, making it easy for the trainees to learn the lessons and increasing the knowledge reserve of the management of our restaurants on how to handle customer complaints and enhance their capability in addressing customer complaints. We also encouraged the trainees to identify the highlights and opportunities in the cases and assume the role of the person-in-charge to address the issue. We collected and compiled the outstanding answers submitted by trainees on a regular basis, and turned these feedbacks into training content. By conducting group brainstorm and enriching training content with actual cases, we continued to offer valuable trainings for frontline management personnel.



Orientation training for new employees



Xiabu Glory Skill Competition and Let's Play Together Flashmob

Case: Young Talent (Campus MT) Centralised Training Program of Xiabuxiabu Group

Cultivation and development of talents at key posts is crucial to the success of the Company. Xiabuxiabu always attaches great emphasis to the recruiting, training, promotion and retaining of talents, especially the building of frontline operation talent reserve. As a training program for the management trainees from schools and an important continuous interactive program for frontline operation talent training, the Young Talent (Campus MT) Program offers various kinds of activities every year to help the young talents to understand the emphasis and expectations given by the senior management of the Group to them.

90 young management trainees participated in the centralised training program of the year held in Beijing during 28 October to 30 October 2020. The program included a wide variety of content, covering subjects such as marketing, branding, supply chain, quality management, financial data, public affairs management, operations training, design engineering and internal control, and interesting lectures were given by the "hotshot" from different departments of the Company. In addition, team building, a tour to the headoffice and information on new business mode were added to the program, offering the young talents an opportunity to gain an understanding of our in-house knowledge and corporate culture, enhance their understanding of and identification with the Company and strengthen their sense of honour and belonging through knowledge study, outbound training and first-hand visit experience.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT



Employee giving the management trainees a tour within the headoffice



A group photo of the trainees of the Young Talent Campus Management Training camp

4.4 CONTRIBUTION TO THE SOCIETY

The development of the Company is closely related to the development of the country and social progress. As an enterprise that is committed to its social responsibility, while maintaining a stable operation, Xiabuxiabu devotes itself to promote the mutual growth and harmonious development of the Company and the society, proactively participates in public welfare undertakings and actively fulfils its social responsibility by proactively participating in and supporting charity donations and volunteer activities, with an aim to give back to the society and promote community activities.

We made concerted efforts to fight against the pandemic and carry out targeted poverty alleviation and green poverty alleviation programs, and devoted ourselves to a wide variety of charity programs. During the reporting period, we donated RMB200,000 and RMB80,000 to the poverty alleviation programs for Guanghe, Gansu and Xinjiang, respectively.

Case: Great success of the “Happy Homeland — Western China Green Action” project with excellent harvest from the charity wolfberry woods

The “Happy Homeland — Western China Green Action” green poverty alleviation project jointly initiated by Xiabuxiabu and China Green Foundation is dedicated to promoting green poverty alleviation in Zhongning, Ningxia. This charity project aims to support the wolfberry industry of Zhongning, Ningxia by developing an entire value chain of “donation — plantation — harvest — acquisition — promotion”, which goes beyond the stage of a charity project launched by enterprises, but also is designed to explore an innovative mode for poverty alleviation program. In addition, by promoting this project to the end-user market, it helps to build up the charity brand image of the Company, and also carries forward the spirit of devotion and empowers the development of the local wolfberry industry.

During the reporting period, we organised acquisition of the first-year harvest from the wolfberry trees of Xiabu Loves Forest (呷哺愛心林) in Ningxia donated by the Company in 2018, achieving remarkable results in 2020 after three-years’ operation.

KEEPING THE FAITH — PROMOTING MUTUAL DEVELOPMENT



OUTLOOK

Looking forward to 2021, while the COVID-19 pandemic in China has been gradually brought under control, the pandemic risk will continue to pose a threat to public health and safety in the global scale. As a result, the catering industry needs to explore more prevention, response, self-protection and counter measures to adapt to the new normal amidst the pandemic, so as to ensure corporate resilience in dealing with unexpected crisis. By adopting the strategies of “focusing on mid-and-high end markets to expand consumer base” and “implementing regular pandemic prevention to improve public health”, Xiabuxiabu is determined to fulfill its responsibility commitment to all stakeholders and the society.

As to “focusing on mid-and-high end markets to expand consumer base”, Xiabuxiabu will always adhere to its management motto of “persistent pursuit for excellence” by implementing stringent control over ingredient quality, selecting suppliers that meet quality inspection standards and optimizing cold-chain direct distribution approach, with an aim to achieve premium quality, green operation and healthy food. In addition, we will continue to upgrade and optimise restaurant style to appeal to the younger generations, creating a diverse and comfortable dining environment that allows customers to enjoy their meals at anytime and anywhere, with an aim to improve their dining experience. Coucou, the high-end brand of the Group, will further explore the overseas markets, extending business presence around the world. With the super quality of our products and market recognition of our brand name, Coucou has become one of the core drivers for group growth. Looking forward, by focusing on commercial property negotiation, cooperation with suppliers for material procurement and brand recognition and acceptance by the consumers, Coucou will take the lead among other brands of the Group to explore new markets. Upholding the motto that “High quality derives from persistent efforts”, Xiabuxiabu is devoted to establishing a brand image of premium ingredients, with an aim to become a model role for urban caterers and a brand representative for Chinese cuisine in the international arena.

As to “implementing regular pandemic prevention to improve public health”, Xiabuxiabu will make great efforts to weather through the crisis, and also build up its capability in implementing regular pandemic prevention, strictly comply with food safety and hygiene standards for restaurants and expand online reservation channels. While attaching great emphasis to energy conservation, environmental protection and green operation, we provide customers with amply supply of disinfection and sanitation products, creating a safe and hygienic environment for our staff and consumers. With our “choosing your own pot” dining mode, we are able to cater to different preferences of various customers, and also meet the demand for healthy food to the maximum degree amidst persistent pandemic prevention. Xiazhuxiatang provides quality delivery services, enabling the Company to extend its business beyond restaurant dine-in services and also provide customers with safe services with contactless delivery.

Looking forward, we will continue to fulfill our corporate social responsibility and place great emphasis on food quality and safety. While facilitating low-carbon development of our own business operation, we will also advocate the low-carbon and green lifestyle to the consumers. We will proactively promote sustainable consumption, facilitate career development of the employees and improve social well-being, with an aim to become the leading Chinese catering company.

SUPPORT UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Goal	Action	Goal	Action
 <p>1 NO POVERTY</p>	Implement green poverty alleviation program	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Make active response to the waste management measures introduced by local governments and reduce wastes generated by our business operation
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Provide healthy and safe products and place emphasis on the physical and mental wellbeing of the employees	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Reduce food wastage and reduce wastes through prevention measures, emission reduction, recycling and reuse
 <p>5 GENDER EQUALITY</p>	Ensure equal employment and care for female employees	 <p>13 CLIMATE ACTION</p>	Implement energy-saving and emission reduction measures
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Enhance efficient use of energy	 <p>14 LIFE BELOW WATER</p>	Taking into account the sustainability of target stocks and focusing on sustainable fisheries harvested that have minimum impact on the environment when procuring ingredients
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Prohibit the use of child labour and forced labour, create a diverse and harmonious working environment, and provide rational remuneration package	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Maintain compliant operation and prohibit fraud and bribery
 <p>10 REDUCE INEQUALITIES</p>	Ensure equal employment, and prohibit discrimination on ground of age, geographical region, religion, etc.		

SUPPORT UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGs)

ABOUT UN SDGS

The Sustainable Development Goals (SDGs) were adopted at the United Nations Sustainable Development Summit held in Rio de Janeiro in 2012, which provide guidelines for the global development work during 2015 and 2030 and were designed to address the severe environmental, political and economic challenges currently confronted by the world through coordinated efforts. The SDGs include 17 measurable and generally accepted goals, including elimination of poverty, prevention of deadly diseases, actions to address climate change, reduce inequality, promotion of sustainable consumption, etc.



ESG INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
A1 Emissions	<p>General Disclosures</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc.</p> <p>Note: Exhaust emissions include NO_x, SO_x and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Disclosed	p44, p47-49
A1 Emissions	A1.1 Types of emissions and respective emission data.	Disclosed	p44, p47
A1 Emissions	A1.2 Greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	p44
A1 Emissions	A1.3 Hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee).	Not applicable	—
A1 Emissions	A1.4 Non-hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee).	Disclosed	p47

ESG INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
A1 Emissions	A1.5 Description of measures taken to reduce emissions and results achieved.	Disclosed	p44, p47-p49
A1 Emissions	A1.6 Description of treatment of hazardous and non-hazardous wastes, reduction initiatives and results achieved.	Disclosed	p47-p49
A2 Use of Resources	<p>General Disclosure</p> <p>Policies on efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.</p>	Disclosed	p44-p47
A2 Use of Resources	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	p44
A2 Use of Resources	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	p44
A2 Use of Resources	A2.3 Description of energy use efficiency initiatives and results achieved.	Disclosed	p45
A2 Use of Resources	A2.4 Description of whether there is any issue in sourcing water that is fit for the purpose and results achieved through implementation of water efficiency initiatives.	Disclosed	p45
A2 Use of Resources	A2.5 Total packaging materials used for finished products (in tonnes) and, if appropriate, packaging materials used for per unit produced.	Disclosed	p46
A3 Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impact on the environment and natural resources.</p>	Disclosed	p47-p49

ESG INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
A3 Environment and Natural Resources	A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to control such impacts.	Disclosed	p47-p49
B1 Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Disclosed	p51-p54
B1 Employment	B1.1 The total number of employees by gender, employment type, age group and geographical region.	Disclosed	p52
B1 Employment	B1.2 The employee turnover rate by gender, age group and geographical region	Planned to be disclosed in the future	—
B2 Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Disclosed	p54-p56
B2 Health and Safety	B2.1 Number and rate of work-related fatalities.	Planned to be disclosed in the future	—

ESG INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
B2 Health and Safety	B2.2 Lost days due to work injury.	Planned to be disclosed in the future	—
B2 Health and Safety	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	p54–p56
B3 Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external training programs paid by the employer.</p>	Disclosed	p58–p62
B3 Development and Training	B3.1 The percentage of employees receiving trainings by gender and employee category (e.g. senior management, middle management, etc.).	Planned to be disclosed in the future	—
B3 Development and Training	B3.2 The average training hours completed per employee by gender and employee category.	Disclosed	p60
B4 Labour Standard	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour.</p>	Disclosed	p51
B4 Labour Standard	B4.1 Description of measures to review recruitment practices to avoid child labour and forced labour.	Disclosed	p51
B4 Labour Standard	B4.2 Description of steps taken to eliminate such practices when discovered.	Disclosed	p51

ESG INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
B5 Supply Chain Management	General Disclosure Policies on managing the environmental and social risks of the supply chain.	Disclosed	p14-p16, p33-p36
B5 Supply Chain Management	B5.1 Number of suppliers by geographical region.	Planned to be disclosed in the future	—
B5 Supply Chain Management	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.	Disclosed	p33-p36
B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress.	Disclosed	p36-p42
B6 Product Responsibility	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	—
B6 Product Responsibility	B6.2 Number of products and service related complaints received and how they are dealt with.	Partially disclosed	p41
B6 Product Responsibility	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Disclosed	p27
B6 Product Responsibility	B6.4 Description of quality assurance process and recall procedures.	Disclosed	p36-p37

ESG INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
B6 Product Responsibility	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	p42
B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	p26-p27
B7 Anti-corruption	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	p27
B7 Anti-corruption	B7.2 Description of preventive measures and whistleblowing procedures, and the related implementation and supervision approaches.	Disclosed	p27
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities taking into consideration the communities' interests.	Disclosed	p9-p21, p62-p63
B8 Community Investment	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	p9-p21, p62-p63
B8 Community Investment	B8.2 Resources contributed (e.g. money or time) to the focus area.	Disclosed	p9-p21, p62-p63

GRI STANDARDS INDEX

No.	Description	Disclosure Status	Reference Sections in the Report
102-1	Name of the organization	Disclosed	p23
102-2	Activities, brands, products and services	Disclosed	p23-p25
102-3	Location of headquarters	Disclosed	p16, p21, p23
102-4	Location of operations	Disclosed	p3, p23
102-5	Ownership and legal form	Disclosed	p23
102-6	Markets served	Disclosed	p3, p23
102-7	Scale of the organization	Disclosed	p3, p23, p28, p52
102-8	Information on employees and other workers	Disclosed	p52
102-9	Supply chain	Disclosed	p33-p36
102-10	Significant changes to the organization and its supply chain	Disclosed	p28, p34
102-13	Membership of associations	Disclosed	p3-p4, p64
102-14	Statement from senior decision-maker	Disclosed	p3-p4
102-15	Key impacts, risks and opportunities	Disclosed	p3-p4, p64
102-16	Values, principles, standards and norms of behaviour	Disclosed	p3-p4
102-20	Executive-level responsibility for economic, environmental and social topics	Disclosed	p5
102-21	Consulting stakeholders on economic, environmental and social topics	Disclosed	p6-p7
102-29	Identifying and managing economic, environmental, and social impacts	Disclosed	p7-p8
102-30	Effectiveness of risk management processes	Disclosed	p26
102-31	Review of economic, environmental and social topics	Disclosed	p8
102-32	Highest governance body's role in sustainability reporting	Disclosed	p5
102-40	List of stakeholder groups	Disclosed	p6-p7
102-43	Approach to stakeholder engagement	Disclosed	p6-p7
102-44	Key topics and concerns raised	Disclosed	p6-p8
102-46	Defining report content and topic boundaries	Disclosed	About This Report
102-47	List of material topics	Disclosed	p8
102-49	Changes in reporting	Disclosed	About This Report
102-50	Reporting period	Disclosed	About This Report
102-51	Date of most recent report	Disclosed	About This Report
102-52	Reporting cycle	Disclosed	About This Report
102-53	Contact point for questions regarding the report	Disclosed	p75
102-55	GRI content index	Disclosed	p73-p74

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No.	Description	Disclosure Status	Reference Sections in the Report
201-1	Direct economic value generated and distributed	Disclosed	p3, p28
205-2	Communication and training about anti-corruption policies and procedures	Disclosed	p27
301-1	Materials used by weight or volume	Disclosed	p46
302-1	Energy consumption within the organization	Disclosed	p44
302-3	Energy intensity	Disclosed	p44
302-4	Reduction of energy consumption	Partially disclosed	p44-p45
302-5	Reductions in energy requirements of products and services	Disclosed	p44-p45
305-1	Direct (scope 1) GHG emissions	Disclosed	p44
305-2	Energy indirect (scope 2) GHG emissions	Disclosed	p44
305-4	GHG emissions intensity	Disclosed	p44
306-1	Total water discharge by quality and destination	Disclosed	p44
306-2	Total amount of waste by type and disposal method	Disclosed	p47
307-1	Non-compliance with environmental laws and regulations	Disclosed	p44
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Disclosed	p53, p56-p57
401-3	Parental leave	Disclosed	p53
404-2	Programs for upgrading employee skills and transition assistance programs	Disclosed	p58-p61
414-2	Negative social impacts from the supply chain and actions taken	Disclosed	p34-p36
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Disclosed	p14

READER FEEDBACK FORM

Thank you for reading *2020 Report of Environmental, Social and Governance of Xiabuxiabu*. In order to provide you and other stakeholders with more valuable information and improve the Company's ability to fulfil ESG, we sincerely welcome any opinions and suggestions you may offer on the report via:

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1. Which of the following stakeholder types applies to you?_____

A Government B Regulatory Authority C Shareholder D Customer E Employee
F Supplier and Partner G Community H Public and Media

2. Do you think this report has fully satisfied your expectations for the Company?_____

A Yes B No, which of your expectations do you think is not reflected in this report?

3. Do you think the Company has met your expectations well?_____

A Yes B No, which of your expectations do you think has not been met well?

4. Do you think the arrangement of content and layout design of this report provide easy reading?_____

A Excellent B Good C Average D Poor

5. What other opinions and suggestions do you have on our fulfillment of social responsibility and this report?

Thanks again for your participation!